Asset Management Policy Statement Ad Hoc Report

The Trust
The Alaska Mental Health Trust Authority

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To:	Mike Barton, Chairman
Through:	Trustee Derr, Trustee Easley, Trustee Norene
From:	Kevin Buckland, Chief Financial Officer
Date:	November 20, 2014
Re:	Asset Management Policy Statement Update

MEMO

REQUESTED MOTION:

The board adopts the updated Asset Management Policy Statement (AMPS) dated November 20, 2014 as recommended by the AMPS ad-hoc committee.

BACKGROUND

Trust and Trust Land Office staff drafted an update to the AMPS after the September 3, 2014 board meeting during which the board adopted policy updates related to the administration of Program Related Investments (PRI). The Staff-recommended changes to the AMPS arising from PRI policy implementation as well as clarifying language and minor updates and grammatical corrections were reviewed by an ad-hoc AMPS committee consisting of Trustee Derr, Trustee Easley and Trustee Norene. The ad-hoc committee met November 3, 2014 with Trust and TLO staff. Trust staff present included Jeff Jessee, Steve Williams, Kevin Buckland and Nancy Burke. TLO staff present included Marcie Menefee and John Morrison.

Below are a summary of the recommended changes to the September 2011 version of the AMPS by the committee. Page numbers reference the redline version which included initial staff recommended edits that may or may not be in the final draft for consideration today:

Page 4 of 22:
New version explicitly cites the TLO's long-term asset management strategy and references the Alaska Administrative Code.

Page 5 of 22:
Explicitly state that the Trust's investment objective is to achieve a real rate of return of five percent (5%) annually after inflation.

Page 6 of 22:
Collapsed two bullets at top of page into one.

Page 7 of 22:
The last paragraph was moved from page 9 of 22. It was previously included on page 7/15 of the September 2011 version of the AMPS. Committee members concluded it was not necessary and it was stricken.

Page 8 of 22:
The asset allocation of investments at APFC was initially included here by staff but stricken. Committee members believed that it may have to be updated too frequently as it was APFC's allocation at a given time. Committee members also stated that Trustees do not have direct control over APFC's allocation and do not want to infer otherwise.

The last paragraph was included by staff to inform trustees of the benchmark for APFC investments and was stricken when the table containing the asset allocation was removed from the draft.

Page 9 of 22:
The document was updated to formally state trustees will periodically (not less than every three years) assess the APFC long-term performance, risk, liquidity and asset allocation.

The second full paragraph was largely included in previous AMPS editions (page 7 of 15 in the September 2011 version) however committee members decided to strike the paragraph in part because of the wording inferred a higher level of review than was actually being performed and that the board has not explicitly / actively delegated responsibility for investment guidelines and selection of investment managers to APFC.

The third full paragraph was moved to page 7 of 22 before being stricken.

Under "Department of Revenue" on this page only minor changes were made including a clarification that the Treasury division manages the cash balances of the Trust Authority Development Account (TADA) and other cash holdings as well as half of budget reserves.

Page 10 of 22:
The asset allocation of budget reserves managed by Treasury was initially included by staff for informative purposes since there is not another current policy document where the asset allocation is documented. The table was stricken by the committee which expressed concern over the table becoming stale and not desiring to update the AMPS more frequently than might otherwise be necessary. Reference to a composite benchmark for the asset allocation was also stricken.

The second and third full paragraphs were updated to periodically (not less than every three years) assess asset allocation for budget reserves and TADA.

Page 11 of 22:
The second paragraph was added by staff to formalize that performance of direct private equity will be periodically evaluated by an index determined by the resources management committee. A suggestion that an appropriate index would be the NCREIF (National Council of Real Estate Investment Fiduciaries) was stricken.

The third full paragraph that references a TLO fee schedule was stricken by staff and agreed to by the committee. It was thought to be unnecessary.

Page 12 of 22:
There was discussion regarding the first and third bullets regarding the need for investments in Trust land to compete favorably with the long term rate of the APFC and the requirement for the board to approve rents below market value for beneficiary programs operating in or on Trust assets.

Page 14 of 22:
The last paragraph under "Non-Cash Assets" was updated to be consistent with the review of APFC & DOR performance in that the performance will be reported to the full board.

Page 15 of 22:
No substantive changes were made.

Page 16 of 22:
A reference to the Consumer Price Index (CPI) was added to state that the Trust will measure inflation using the CPI-U (1967=100) index. This index was selected as it is the index that the APFC uses to "inflation proof" the Permanent Fund corpus.

Page 17 of 22:
The policy and difference between an "official" permanent inflation-proofing transfer versus a notional transfer of budget reserves was formalized.

Page 18-19 of 22:
Policy language for the TADA was updated accommodate Program Related Investments (PRI); general cleanup was done on the wording was also done to help the section to flow better.

Page 20-21 of 22:
The TADA definition was updated to remove the reference to the account being temporary and added a reference that the TADA was previously known as the Trust Land Development Account.

Aside from the changes disclosed herein there was a lengthy discussion regard auditing the direct real estate managed by the TLO. No update was made to the AMPS to address the issue.

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Alaska Mental Health Trust Authority

Asset Management

Policy Statement

Asset Management Policy Statement

Purpose

The Asset Management Policy Statement (AMPS) specifically delineates the asset management philosophy and practices of the board of trustees of the Alaska Mental Health Trust Authority (the Trust). It has been developed to serve as the management plan for those assets entrusted to the board. The board believes it is essential to adopt a long-term plan by which these assets will be maintained and enhanced through prudent management. The board has adopted the AMPS to serve as that long-term plan, in order that:

- there be a clear understanding on the part of the trustees, staff, beneficiaries, and the public as to the objectives, goals, and restrictions with regard to the management of Trust assets;
- assets be structured and managed in a prudent manner; and
- there be a meaningful basis for performance evaluations of asset classes, managers, and strategies used to achieve the management objectives.

Background

Creation of the Trust

The Alaska Mental Health Trust Authority (the Trust) was established by Congress under the Mental Health Enabling Act of 1956. The 1956 law included a grant to the State of Alaska of one million acres of land to be used to generate revenues to ensure the development of a Comprehensive Integrated Mental Health Program for the State of Alaska. In the mid 1980s, a class-action citizen lawsuit, Weiss v. State, was filed, alleging the mismanagement of these lands. In 1994, the Alaska Legislature passed legislation that was subsequently approved by the Alaska Superior Court as a settlement of the litigation (the settlement).

Settlement Framework

The settlement reconstituted the Trust with an initial $200 million in cash and nearly one million acres of land. A seven-member board of trustees was created and charged with the responsibility of administering the Trust. The board is required by statute (AS 37.14.009(a)) to contract with the Alaska Permanent Fund Corporation (APFC) for the management of the cash principal of the Trust and with the Department of Natural Resources (DNR) for the management of its non-cash resource assets. The 1994 legislation required DNR to establish a separate unit, the Trust Land Office (TLO), for this purpose. Trust income allocated for annual mental health program spending and, on a short-term basis, revenue generated by the TLO is managed by the Department of Revenue (DOR).

To carry out this mandate, the board has the responsibility of establishing and maintaining broad policies and objectives for the prudent management of Trust assets. The Board establishes broad policies and sets the direction for asset management in this AMPS.

The board delegates the implementation of these policies to the board's finance committee, resource management committee, executive committee and to staff. In doing so, the board maintains a "top-down" perspective, focusing on important policy-level issues, and maintaining the proper fiduciary perspective and time horizon for analysis of the performance of Trust assets.

The board then directs the financial management of the earnings from the assets of the Trust into programs and projects that are designed to improve the lives of Trust beneficiaries: Alaskans who experience mental illness, developmental disabilities, chronic alcoholism, Alzheimer‟s disease and related dementia, traumatic brain injury and substance abuse disorders (see AS 47.30).

Mission Statement

The board has adopted the following mission statement for the Trust:
The Alaska Mental Health Trust Authority (the Trust) administers the Mental Health Trust to improve the lives of beneficiaries. Trustees have a fiduciary responsibility to protect and enhance trust assets in perpetuity for the beneficiaries. The Trust provides leadership in advocacy for and planning, implementing and funding of the Comprehensive Integrated Mental Health Program; and acts as a catalyst for change.

Statement of Asset Management Philosophy

The AMPS helps the board effectively supervise, monitor, and evaluate the investment and management of the Trust‟s cash and non-cash assets. The cash investment program and Trust land and resource management program are defined in the various sections of the AMPS by:

- stating in a written document the board's expectations, objectives, and guidelines for management of the cash and non-cash assets;
- complying, or ensuring compliance, with all applicable fiduciary, prudence, and due diligence requirements that experienced investment professionals and land managers would reasonably utilize, and with all applicable laws, rules, and regulations that may impact Trust assets;
- setting forth an investment structure for the cash assets of the Trust; this structure includes various accounts, asset classes, investment management styles, risk tolerance, asset allocation and acceptable ranges that, in total, are expected to produce a sufficient level of overall diversification and total investment return over the long-term;
- establishing guidelines for management of the Trust‟s non-cash assets consistent with the TLO‟s long-term asset management strategy as defined in 11AAC 99.090(c);
- monitoring, evaluating, and comparing the investment performance results achieved by APFC, DOR, and TLO on a regular basis;
- encouraging effective communications between the trustees, staff APFC, DOR, and TLO; and
- establishing a framework to aid trustees in determining the annual available funding amount for protection and enhancement of Trust assets and spending on behalf of the beneficiaries in mental health programs and projects.

This AMPS is formulated upon the board‟s consideration of the financial implications of a wide range of policies and describes the prudent cash, and non-cash processes that the trustees deem appropriate.

The board recognizes that even though its investments are subject to short-term volatility, it is critical that a long-term investment focus be maintained. This prevents ad-hoc revisions to the board's philosophy and policies in reaction to either speculation or short-term market fluctuations.

Asset Management Objectives

The asset management objectives of the Trust have been established by the board in conjunction with a comprehensive review of the Trust‟s current and projected financial requirements. The investment earnings from cash assets and income produced from Trust non-cash assets will be used to protect and enhance the value of Trust assets and implement annual mental health program funding strategies. Accordingly, investment results and Trust land resource management decisions are critical elements in achieving the outcome objectives of the Trust. The overarching asset management objective is to maintain appropriate cash asset allocation and trust land management policies that are compatible with the spending policy while still having the potential to produce positive real returns.

Cash Management Objectives

Specific cash management objectives are to:

- preserve and enhance the purchasing power of the Trust‟s cash principal and the income generating capacity of the Trust‟s non-cash asset portfolio;
- achieve a real rate of return (above inflation) of five percent (5%) annually with reasonable and prudent levels of risk; and
- provide a steady, reliable payout stream to ensure funding of program spending goals while maintaining sufficient liquidity in all market environments.

Trust Land Management Objectives

Specific Trust land management objectives are to:

- protect and enhance the non-cash asset value and productivity of Trust property;
- maximize revenues from Trust non-cash assets over time;
- encourage a diversity of revenue-producing uses of Trust non-cash assets;
- manage Trust land prudently, efficiently, and with accountability to the Trust and its beneficiaries; and
- use Trust non-cash assets for beneficiary purposes, when such use is found to be in the best interest of the Trust and its beneficiaries.

Guidelines and Investment Policy

Time Horizon

So that interim marketplace circumstances and fluctuations will be viewed with appropriate perspective, the investment of the Trust‟s principal and Budget Reserve account invested at APFC as well as non-cash assets are managed for long term growth over time (generally greater than five years).

Investment strategies for budget reserves invested outside of APFC (currently at DOR) are to be determined by the trustees.

Investment of Trust income allocated for annual mental health program spending as well as the Trust Authority Development Account (TADA) and Trust Facility Maintenance Account is based on a horizon of one year.

Risk Tolerance

The board recognizes the difficulty faced by APFC, DOR and DNR in meeting investment and Trust land resource management objectives because of the uncertainties and complexities of contemporary investment markets and the non-cash asset management operating arena. The board also recognizes that some risk must be assumed to achieve the APFC‟s long-term investment objectives, the DOR‟s Budget Reserve investment objectives, and the TLO‟s land management objectives. Further, in co-mingling Trust cash assets with the Alaska Permanent Fund managed by the APFC, the ability to withstand short and intermediate term market volatility was considered.

Performance Expectations

Cash Managers

Alaska Permanent Fund Corporation

APFC management responsibilities for the Trust‟s principal are provided for in APFC statute and a memorandum of agreement between the Trust and the APFC (APFC MOA).

The board reviews the long-term performance, risk, and liquidity characteristics of the APFC on a periodic basis (but not less than once every three years) and evaluates whether the APFC‟s asset allocation strategy meets the long-term investment return objective of the Trust with an acceptable level of risk.

Department of Revenue

The asset allocation for Budget Reserves under management of the Treasury Division is directed by the trustees.

The Department of Revenue Treasury Division holds and manages one half of the Budget Reserve, cash balances of the TADA, and on a short-term basis the revenue generated by the TLO and Trust income allocated by the trustees for spending on the Comprehensive Integrated Mental Health Program.

Investments of the Budget Reserves are made pursuant to guidance provided by staff under the fiduciary direction of the board. In executing their duties, the finance committee shall periodically (not less than every three years) review asset allocation independently or request consultation from outside entities and, if appropriate, recommend the board adopt changes.

The TADA is currently invested alongside the General Fund and other Non-Segregated Investments (GeFONSI). The finance committee shall periodically (not less than every three years) review the cash balances of the TADA in conjunction with projected expected expenditure or reinvestment demand and recommend an asset allocation to the board.

Non-Cash Asset Manager

Trust Land Office

The TLO manages the Trust‟s non-cash assets on behalf of the trustees, in accordance with applicable statutes, regulations, and a memorandum of understanding between the Trust and DNR (DNR MOU).

The Trust land resource component of the Trust is made up of about 5,000 land parcels statewide, totaling about one million acres. TLO management responsibilities are provided for in AS 38.05.801, 11 AAC 99, and the DNR MOU.

TLO outcomes are projected for the upcoming budget cycle with annual outcomes addressed in annual TLO budgets approved by the Trustees. While the TLO consults primarily with the resource management committee of the board on specific transactions, consultation can also occur between the TLO and the TAO and between the TLO and the board, in accordance with specific board policies or transaction circumstances.

The performance of direct private equity real estate will be annually evaluated using an index or indices determined by the resource management committee.

General operating expectations are as follows:

- TLO will focus first on land or resources at the high end of their market values ("Best Markets") and then on land or resources with Best Market potential within the next two to ten years;
- land or resources not included above will be considered "Long Term Market" lands, with TLO management emphasis placed on reasonable value preservation and enhancement actions in the interim;

- generally, the TLO will focus on transactions that:
    1. maximize return at prudent levels of risk;
    2. contribute to a diverse assortment of resource activity;
    3. provide ancillary values to the Trust; and
    4. remove or prevent liability risks;
- leases are preferred over sales and, when reasonable to do so, land values should be enhanced before disposal through lease or sale;
- transactions should not harm values of or future opportunities associated with other Trust lands;
- investments in Trust land should compete favorably with the projected long-term total rate of return of the Alaska Permanent Fund Corporation;
- land exchanges may be considered, when associated costs and outcomes can be reasonably established;
- if beneficiary program uses of Trust lands are proposed at rents below fair market value, the increment between proposed rents and fair market value rents will be considered an allocation of Trust revenue and must be approved by the board; and
- lands, structures, and resources may be acquired when the acquisition will add value to the Trust‟s non-cash asset portfolio or will contribute to the mission of the Trust in another way. All acquisitions will be analyzed on a „Life Cycle Basis‟; defined as the present value of the acquisition cost, the operating income/benefits during the holding periods and the value of the asset at disposition.

In accordance with AS 13.38, 20 AAC 40.610, and this AMPS, TLO revenue will be allocated as follows:

- <u>To Principal</u>: Land sale revenues; royalties from coal, gas, materials, minerals, and oil; perpetual easements; and 85% of revenues from timber sales.

- <u>To Income</u>: Interest from land sale contracts; bonus bids; rents; and 15% of revenues from timber sales.

Control Procedures

AMPS Revisions

It is not expected that the AMPS will change frequently. In particular, short-term changes in the financial, real estate and natural resource markets and associated operating arenas should not require adjustments to the AMPS.

Cash Assets

APFC & DOR performance will be reviewed at least annually by the finance committee who will report all performance to the board to determine the continued feasibility of achieving the investment and Trust land management objectives and the appropriateness of the AMPS for achieving those objectives.

Non-Cash Assets

The TLO will maintain a level of management capacity necessary to prudently manage and develop Trust non-cash assets over time. It is understood that this component of Trust non-cash asset management represents a significant expense to the Trust.

The duties and responsibilities of the TLO are generally provided for in AS 38.05.801 and more specifically provided for in 11 AAC 99 and the DNR MOU. The specific management principles are provided for in 11 AAC 99.

TLO performance will be reviewed at least annually by the resource management committee which will report all performance to the board.

Spending Policies

The board has the authority to authorize the expenditure of Trust funds to protect and enhance the value and productivity of Trust assets, for the award of grants and contracts in fulfillment of the Trust‟s purpose to ensure a Comprehensive Integrated Mental Health Program, and, with legislative approval, the operating expenses of the TAO. This Spending Policy outlines five board objectives:

1. protect and enhance the corpus of the Trust by allocating sufficient resources to ensure that Trust assets are properly managed, including the use of principal allocated to the Trust Authority Development Account, where appropriate, to maximize the value and productivity of Trust non-cash assets;

2. apply smoothing mechanisms to mitigate the effects of short-term market volatility on spending and maintain a reliable funding stream to ensure the support of a Comprehensive Integrated Mental Health Program for the beneficiaries;

3. establish a Budget Reserve account to ensure funding support for the Comprehensive Integrated Mental Health Program is maintained in a difficult market environment;

4. maintain the purchasing power of the Trust principal, including addressing the effects of inflation, by using the reserve model consisting of the Budget Reserve account originally recommended by Callan Associates in 1996; and

5. follow a spending policy based upon a sustainable percentage of investment net asset values and expendable income from Trust land management.

The board recognizes achieving Trust asset management objectives requires adequate resources be allocated for that purpose by reimbursing APFC and DOR, and DNR for the reasonable costs of managing Trust assets.

Annual Available Funding Framework

Having a relatively consistent and predictable funding stream is paramount to ensuring an effective Comprehensive Integrated Mental Health Program. To mitigate the effects of periodic market volatility on funding, the board utilizes smoothing mechanisms to maximize funding consistency.

The following components have been established as a framework to aid trustees in determining the annual available funding amount:

- An annual withdrawal calculation consisting of 4.25 percent of the rolling four year-end average aggregate net asset value (NAV) of the following:
  - Principal invested at APFC[1]
  - Budget Reserve invested at APFC
  - Budget Reserve invested at DOR

- The rolling four year-end average of lapsed appropriations funded from the Settlement Income Account[2];

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[1] Funds in the Trust Authority Development Account are not included in the payout calculation unless Trustees approve otherwise.

[2] Settlement Income Account AKSAS fund 34046 only. Lapsed appropriations funded from the Facility Maintenance Account are not included in the calculation.

- The rolling four year-end average of expendable income generated by Trust Land Office operations;

- The rolling four year-end average of interest earned on cash held with the General Fund and Other Non-Segregated Investments (GeFONSI) managed by DOR;

- The unobligated/unallocated funds that could have been authorized in previous fiscal years under this framework calculation; and

- Other miscellaneous unrestricted revenues properly deposited into the Trust Settlement Income Account such as contributions from partner agencies and the recovery of prior year expenditures received after the funding appropriation lapsed.

Trustees reserve the right to expend additional funds when circumstances warrant. For instance, if original projections used to build a preliminary budget prove materially inaccurate due to deteriorating market conditions, trustees may elect to authorize funds beyond what the framework above would generally suggest. Concurrently, trustees acknowledge that principal assets must be safeguarded.

The annual withdrawal calculation amount will be transferred to the Settlement Income Account and invested with the GeFONSI with minimal risk on a lump sum or periodic basis by the CFO in consultation with the CEO based on market conditions and cash flow needs.

Budget Reserve Guidelines

In order to fulfill funding requirements during market downturns, a Budget Reserve account will be maintained to help ensure funding availability. Based on a Callan Associates study of the Alaska Permanent Fund and the Alaska Mental Health Trust Fund, the Budget Reserve is set at 400% of the targeted annual withdrawal calculation amount. This reserve amount should be adequate to provide maximum assurance that the Trust will be able to meet annual funding goals.

One half of the Budget Reserve shall be invested by the DOR. The remainder of the Budget Reserve shall be invested by the APFC in the same manner as the Principal.

When APFC experiences gains for a given year, the Budget Reserve at DOR will first be adjusted up to 200% of the current year‟s targeted annual withdrawal calculation. If additional gains remain, adjustments will be made to the Budget Reserve invested by APFC. When the Budget Reserve is fully funded at both

DOR and APFC, funds may be used to help offset the effects of inflation ("inflation proofing"). The effect of inflation will be estimated by using US Department of Labor Bureau of Labor Statistics CPI-U index[3].

When the APFC or DOR experiences losses for a given year, the Budget Reserve at DOR will be maintained or adjusted to 200% of the annual withdraw calculation from the Budget Reserve at APFC.

In the event of severe and/or sustained losses whereby the Budget Reserve is insufficient to meet the annual payout while maintaining at least 200% of the current year‟s annual withdrawal calculation then the withdrawal rate or amount may be reviewed by the trustees.

Full or partial inflation proofing may be facilitated by one of the following methods:

- Inflation proofing permanent transfer (official non-spendable transfer)
  - Upon notification by the CFO that trustees have performed an official and permanent inflation proofing, APFC will initiate an accounting entry to irretrievably transfer funds from Budget Reserves to the non-spendable principal account.

- Inflation proofing assignment (notional transfer)
  - No official entries are necessary as funds remain in the Budget Reserve account at APFC, however the board is officially on record assigning the balance perpetually just as though the funds were principal. This balance is not factored into the base goal to maintain 400% of the targeted withdrawal in reserves. The notional inflation proofing subaccount of Budget Reserves may theoretically be utilized by the board under draconian market circumstances.

Trust Authority Development Account Guidelines

The board will maintain the Trust Authority Development Account (TADA) to use Trust principal to exchange one principal asset for another.

The value and productivity of Trust cash and non-cash assets must be maximized through the reinvestment of Trust principal from time to time. This includes investments made through Program Related Investments (PRI), the Resource Management Strategy (RMS) or other programs approved by trustees.

The board may directly use principal assets to enhance the capacity of the state‟s mental health program or to maintain or enhance the value of the Trust‟s

[3] Consumer Price Index All Urban Consumers; U.S.; All Items; 1967=100

existing non-cash asset portfolio. This may be accomplished through financing of projects, purchase/lease of assets, exchange or resale.

Recommendations for expenditure from the TADA will be noticed in the same manner as other Trust expenditures, including presentation to appropriate Trust committees and final approval by a committee or the board of trustees, as provided for in the Trust bylaws. Recommendations will be based upon a specific work plan with identified priorities.

Definitions

For purposes of ease of administration and understanding of this Asset Management Policy Statement, the following terms are defined or clarified:

APFC: The Alaska Permanent Fund Corporation manages the cash assets of the Alaska Mental Health Trust Authority under the APFC board's asset allocation policy and its investment policies and guidelines for major asset classes.

ASSETS: Consists of the cash and non-cash assets of the Alaska Mental Health Trust Authority, including property and resource assets acquired by the TLO on behalf of the Trust.

BOARD: The governing body of the Alaska Mental Health Trust Authority established by AS 47.30.016.

BUDGET RESERVE: Budget Reserve is set at 400% of the targeted annual disbursement amount. This reserve amount should be adequate to ensure the Trust‟s ability to meet its spending goals in a difficult market environment and to ensure liquidity in future years. The budget reserve is maintained both within the state treasury (in GASB fund 34047) as well as the Alaska Permanent Fund Corporation.

CHIEF EXECUTIVE OFFICER (CEO): The staff position as defined by AS 47.30.026 serving the board as the chief executive officer of the Alaska Mental Health Trust Authority.

TRUST SETTLEMENT INCOME ACCOUNT: The account in which income available for appropriation and expenditure is deposited (and from which agencies receiving MHTAAR funded appropriations expend). The account is maintained on the state accounting system as GASB fund 34046.

TRUST AUTHORITY DEVELOPMENT ACCOUNT: A principal account maintained by the board to facilitate periodic principal exchanges and to enhance the value of the Trust‟s assets. The account is maintained on the state accounting system as GASB fund 34045. Prior to September 2014, this account was referred to as the Trust Land Development Account.

TRUST FACILITY MAINTENANCE ACCOUNT: A component of the Settlement Income Account where a portion of facility rents are deposited to finance operations and maintenance on buildings owned by the Trust. The account is maintained on the state accounting system as GASB fund 34048. The account was originally authorized by Resolution 05-04.

TRUST LAND PORTFOLIO: The non-cash assets of the Alaska Mental Health Trust Authority that are managed by the Trust Land Office, including improved properties and facilities.

SETTLEMENT: The statutes, settlement agreement, letters clarifying the settlement agreement, and the final Superior Court order creating and approving the settlement of Weiss v. State of Alaska.

STAFF: The CEO, Trust Land Office Executive Director, all employees of the Trust and the Trust Land Office.

TRUST: The Alaska Mental Health Trust established by Congress under the Mental Health Enabling Act of 1956.

TRUST AUTHORITY: The Alaska Mental Health Trust Authority established by AS 47.30.011.

TRUSTEE(S): The board of trustees of the Trust Authority, either collectively or individually.

TRUST ADMINISTRATIVE OFFICE (TAO): The office with responsibility for providing support to the chief executive officer and board of trustees in management of Trust financial assets and in assuring development of the Comprehensive Integrated Mental Health Program.

TRUST LAND OFFICE (TLO): The office with responsibility for management of the Trust non-cash assets (property and natural resource assets) established within the Department of Natural Resources under AS 44.37.050.

TRUST LAND OFFICE (TLO) EXECUTIVE DIRECTOR: The staff position serving the commissioner of the Department of Natural Resources in conjunction with the board as the executive director of the Trust Land Office.

Alaska Mental Health Trust Authority

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Asset Management

Policy Statement

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Purpose

The Asset Management Policy Statement (AMPS) specifically delineates the asset management philosophy and practices of the ~~Board~~ board of ~~Trustees~~ trustees ~~(Board)~~ of the Alaska Mental Health Trust Authority (~~The Trust~~the Trust). It has been developed to serve as the management plan for those assets entrusted to the ~~Board~~board. The ~~Board~~ board believes it is essential to adopt a long-term plan by which these assets will be maintained and enhanced through prudent management. The ~~Board~~ board has adopted the AMPS to serve as that long-term plan, in order that:

- there be a clear understanding on the part of ~~the Trust~~the trustees, staff, beneficiaries, and the public as to the objectives, goals, and restrictions with regard to the management of Trust assets;
- assets be structured and managed in a prudent manner; and
- there be a meaningful basis for performance evaluations of asset classes, managers, and strategies used to achieve the management objectives.

Background

Creation of ~~the Trust~~the Trust

The Alaska Mental Health Trust Authority (~~The Trust~~the Trust) was established by Congress under the Mental Health Enabling Act of 1956. The 1956 law included a grant to the State of Alaska of one million acres of land to be used to generate revenues to ensure the development of a Comprehensive Integrated Mental Health Program for the State of Alaska. In the mid 1980~~'~~s, a class-~~-~~action citizen lawsuit, Weiss v. State, was filed, alleging the mismanagement of these lands. In 1994, the Alaska Legislature passed legislation that was subsequently approved by the Alaska Superior Court as a settlement of the litigation (the ~~Settlement~~settlement).

Settlement Framework

~~The Settlement~~The settlement reconstituted ~~The Trust~~the Trust with an initial $200 million in cash and nearly one million acres of land. A seven-member ~~Board~~ board of ~~Trustees~~ trustees was created and charged with the responsibility of administering ~~The Trust~~the Trust. The ~~Board~~ board is required by statute (AS 37.14.009(a)) to contract with the Alaska Permanent Fund Corporation (APFC) for the management of the cash principal of ~~The Trust~~the Trust and with the Department of Natural Resources (DNR) for the management of its non-cash resource assets. The 1994 legislation required DNR to establish a separate unit, ~~the Trust~~the Trust Land Office (TLO), for this purpose. Trust income allocated for annual mental health program spending and, on a short-term basis, revenue generated by the TLO is managed by the Department of Revenue (DOR).

To carry out this mandate, ~~the Board~~the board has the responsibility of establishing and maintaining broad policies and objectives for the prudent management of Trust assets. The Board establishes broad policies and sets the direction for asset management in this AMPS.

The ~~Board~~ board delegates the implementation of these policies to ~~the Board~~the board's ~~Finance~~ finance ~~Committee~~committee, ~~Resource~~ resource ~~Management~~ management ~~Committee~~committee, ~~Executive~~ executive ~~Committee~~ committee and to ~~Trust Administrative Office~~ staff. In doing so, ~~the Board~~the board maintains a "top-down" perspective, focusing on important policy-level issues, and maintaining the proper fiduciary perspective and time horizon for analysis of the performance of Trust assets.

The ~~Board~~ board then directs the financial management of the earnings from the assets of ~~The Trust~~the Trust into programs and projects that are designed to improve the lives of Trust beneficiaries: Alaskans who experience mental illness, developmental disabilities, chronic alcoholism, ~~and~~ Alzheimer's disease ~~or~~ and related ~~disorders~~ dementia, traumatic brain injury and ~~similar disabilities~~substance abuse disorders (see AS 47.30).

Mission Statement

The ~~B~~board has adopted the following ~~Mission~~ mission ~~Statement~~ statement for ~~The Trust~~the Trust:
The Alaska Mental Health Trust Authority (~~The Trust~~the Trust) administers the Mental Health Trust to improve the lives of

beneficiaries. Trustees have a fiduciary responsibility to protect and enhance trust assets in perpetuity for the beneficiaries. ~~The Trust~~The Trust provides leadership in advocacy for and planning, implementing and funding of the Comprehensive Integrated Mental Health Program; and acts as a catalyst for change.

Statement of Asset Management Philosophy

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- stating in a written document ~~the Board~~the board's expectations, objectives, and guidelines for management of the cash and non-cash assets;
- complying, or ensuring compliance, with all applicable fiduciary, prudence, and due diligence requirements that experienced investment professionals and land managers would reasonably utilize, and with all applicable laws, rules, and regulations that may impact Trust assets;
- setting forth an investment structure for the cash assets of ~~The Trust~~the Trust; this structure includes various accounts, asset classes, investment management styles, risk tolerance, asset allocation and acceptable ranges that, in total, are expected to produce a sufficient level of overall diversification and total investment return over the long-term;
- ~~setting forth~~~~approve~~establishing guidelines for management of ~~The Trust~~the Trust's non-cash assets ~~through~~consistent with the TLO's long-term asset management strategy as defined in 11AAC 99.090(c);
- monitoring, evaluating, and comparing the investment performance results achieved by APFC, DOR, and TLO on a regular basis;
- encouraging effective communications between ~~the Trust~~the trustees, staff~~TAO,~~ APFC, DOR, and TLO;

- establishing~~-~~ a framework to aid ~~Trustees~~ trustees in determining the annual available funding amount for protection and enhancement of Trust assets and spending on behalf of the beneficiaries in mental health programs and projects.

This AMPS is formulated upon ~~the Board~~the board's consideration ~~-~~of the financial implications of a wide range of policies and describes the prudent cash, and non-cash processes that ~~the Trust~~the trustees deem appropriate.

The ~~Board~~ board recognizes that even though its investments are subject to short-term volatility, it is critical that a long-term investment focus be maintained. This prevents ad-hoc revisions to ~~the Board~~the board's philosophy and policies in reaction to either speculation or short-term market fluctuations.

Asset Management Objectives

The asset management objectives of ~~The Trust~~the Trust have been established by ~~the Board~~the board in conjunction with a comprehensive review of ~~The Trust~~the Trust's current and projected financial requirements. The investment earnings from cash assets and income produced from Trust non-cash assets will be used to protect and enhance the value of Trust assets and implement annual mental health program funding strategies. Accordingly, investment results and Trust land resource management decisions are critical elements in achieving the outcome objectives of ~~The Trust~~the Trust. The overarching asset management objective is to maintain appropriate cash asset allocation and trust land management policies that are compatible with the ~~Spending~~ spending ~~Policy~~ policy while still having the potential to produce positive real returns.

Cash Management Objectives

Specific cash management objectives are:

- to preserve and enhance the purchasing power of ~~The Trust~~the Trust's cash principal and the income generating capacity of ~~The Trust~~the Trust's non-cash asset portfolio;

- to achieve a real rate of return (above inflation) of five percent (5%) annually ~~maximize return~~ with~~in~~ reasonable and prudent levels of risk; and

- to provide a steady, reliable payout stream to ensure funding of program spending goals while maintaining sufficient liquidity in all market environments. ~~year-to-year to ensure the development of a Comprehensive Integrated Mental Health Program for the beneficiaries; and~~

- ~~to ensure The Trust's ability to meet its spending goals in difficult market environments and to ensure liquidity in future years.~~

Trust Land Management Objectives

Specific Trust land management objectives are:

- to protect and enhance the non-cash asset value and productivity of Trust property;
- to maximize revenues from Trust non-cash assets over time;
- to encourage a diversity of revenue-producing uses of Trust non-cash assets;
- to manage Trust land prudently, efficiently, and with accountability to ~~The Trust~~The Trust and its beneficiaries; and
- to use Trust non-cash assets for ~~Mental Health Trust~~ beneficiary purposes, when such use is found to be in the best interest of ~~The Trust~~the Trust and its beneficiaries.

Guidelines and Investment Policy

Time Horizon

So that interim marketplace circumstances and fluctuations will be viewed with appropriate perspective, the investment of ~~The Trust~~the Trust's ~~Principal~~ principal ~~account~~ and Budget Reserve account invested at APFC as well as non-cash assets are ~~based upon an investment~~ ~~and~~ managed for long term growth over time (generally greater than five years).

Investment strategies for ~~the Budget~~ budget ~~Reserve~~ reserves ~~account~~ invested outside of APFC (currently at DOR) are to be determined by ~~the Trust~~the trustees.

Investment of Trust income allocated for annual mental health program spending as well as ~~the Trust~~the Trust Authority~~Land~~ Development Account (TADA) and Trust Facility Maintenance Account is based on a horizon of one year.

Risk Tolerance

The ~~Board~~ board recognizes the difficulty faced by APFC, DOR, and DNR in meeting investment and Trust land resource management objectives because of the uncertainties and complexities of contemporary investment markets and the non-cash asset management operating arena. The ~~Board~~ board also recognizes that some risk must be assumed to achieve the APFC's long-term investment objectives, the DOR's Budget Reserve investment objectives, and the TLO's land management objectives. Further, in co-mingling Trust cash assets with the Alaska Permanent Fund managed by the APFC, the ability to withstand short and intermediate term market volatility was considered.

Performance Expectations

Cash Managers

Alaska Permanent Fund Corporation

APFC management responsibilities for ~~The Trust~~the Trust's principal are provided for in APFC statute and a memorandum of agreement between ~~The Trust~~the Trust and the APFC (APFC MOA).

~~For investment purposes, Trust assets are commingled with the Alaska Permanent Fund and other assets under management by the APFC. The APFC board of trustees has established by formal resolution an asset allocation policy for the Alaska Permanent Fund, which it reviews annually and modifies as it determines appropriate. The APFC board has also established by resolution investment policies and guidelines for major asset classes in which money managed by the APFC is invested. Those resolutions are reviewed by the APFC board periodically and modified as it determines appropriate. The APFC's current asset allocation and investment policy and guideline resolutions are posted on the APFC website.~~

~~The current asset allocation policy as set by the APFC board of trustees is as follows:~~

~~Risk Class~~	~~Asset Class~~	~~Risk Class Target~~	~~Asset Class Target~~
~~Cash & Interest Rates~~		~~6%~~	
	~~Cash~~		~~1.2%~~
	~~US Government Bonds and International Developed Government Bods (currency Hedged~~		~~4.8%~~
~~Company Exposure~~		~~55%~~	
	~~Global Credit~~		~~11%~~
	~~Public/Private Credit~~		~~2%~~
	~~Global Equity~~		~~36%~~
	~~Private Equity~~		~~6%~~
~~Real Assets~~		~~19%~~	
	~~Real Estate~~		~~12%~~
	~~Infrastructure~~		~~4%~~
	~~US Treasury Inflation Protected Securities~~		~~3%~~
~~Special Opportunities~~		~~20%~~	
	~~Allocation Strategies:~~		
	~~Absolute Return Mandate~~		~~6%~~
	~~Real Return Mandate~~		~~7%~~
	~~Emerging Markets Multi-Asset~~		~~2%~~
	~~Fixed Income Domestic Aggregate~~		~~2%~~
	~~Other:~~		
	~~Debt Opportunities~~		~~1%~~
	~~True Special Opportunities~~		~~2%~~

~~To assess relative performance a composite benchmark consisting of various indices with weightings in proportion to the asset allocation will be used. Currently the target consists of the following: 52.5% MSCI ACW IMI, 13.1% Barclays Global Corporate Hedged, 8.0% Barclays Global Treasury Hedged, 2.2% Barclays TIPS, 2.0% Barclays~~

~~Mortgage Index, 7.5% MSCI REIT, 4.4% FTSE Developed Core Infrastructure, and 10.1% 3-month Treasury Bills.~~

The ~~Board~~ board reviews the long-term performance, risk, and liquidity characteristics of the APFC on a periodic ~~an ongoing~~ basis (but not less than once every three years) and evaluates whether~~concurs currently believes that~~ the APFC's ~~current~~ ~~provides an~~ asset allocation strategy ~~that~~ meets the long-term investment return ~~strategic asset allocation~~ objective~~s~~ of ~~The Trust~~the Trust with an acceptable level of risk.

~~The Board board believes that liquidity will not be a problem under the current APFC MOA as the relative size and diversification of the Alaska Permanent Fund ensures should meet thesufficient liquidity is always needs availableof The Trust. The Board board has delegated responsibility for investment guidelines and the selection and supervision of investment managers to the APFC.~~

~~For investment purposes, Trust assets are commingled with the Alaska Permanent Fund and other assets under management by the APFC. The APFC Board of Trustees has established by formal resolution an asset allocation policy for the Alaska Permanent Fund, which it reviews annually and modifies as it determines appropriate. The APFC Board has also established by resolution investment policies and guidelines for major asset classes in which money managed by the APFC management is invested. Those resolutions are reviewed by the APFC Board periodically and modified as it determines appropriate. The APFC's current asset allocation and investment policy and guideline resolutions are posted on the APFC website.~~

Department of Revenue

The asset allocation for Budget Reserves under management of the Treasury Division is directed by the trustees.

The Department of Revenue ~~Division of~~ Treasury Division ~~in the Department of Revenue~~ holds and manages one half of the Budget Reserve, cash balances of the TADA and on a short term basis the revenue generated by the TLO and Trust income allocated by ~~the Trust~~the Trustees for spending on the Comprehensive Integrated Mental Health Program.

~~Currently the asset allocation for Budget Reserves under management of the Treasury Division are as follows:~~

~~Asset Class~~	~~Target %~~	~~Acceptable Range~~	~~Relative Performance Benchmark~~
~~Cash~~	~~10%~~	~~+/- 4%~~	~~3-month T-Bill~~
~~Broad Market Fixed Income~~	~~29%~~	~~+/- 10%~~	~~Barclays US Aggregate~~
~~Domestic Equity~~	~~40%~~	~~+/- 9%~~	~~Russell 3000~~
~~International Equity~~	~~21%~~	~~+/- 5%~~	~~MSCI EAFE~~

~~To assess relative performance a composite benchmark consisting of various indices with weightings in proportion to the asset allocation will be used.~~

Investments~~, including investments in The Trust's non-cash asset portfolio,~~ of the Budget Reserves are made pursuant to guidance provided by ~~the TAO~~staff under the fiduciary direction of ~~the Board~~the board. In executing their duties, the finance committee ~~may~~shall periodically (not less than every three years) review asset allocation independently or request consultation from outside entities and if appropriate recommend the board adopt changes.

The TADA is currently invested alongside the General Fund and other Non-Segregated Investments (GeFONSI). The finance committee ~~may~~shall periodically (not less than every three years) review the cash balances of the TADA in conjunction with projected expected expenditure or reinvestment demand and recommend an asset allocation to the board. ~~the board allocate a portion of the TADA to bonds to achieve a higher return relative to cash.~~

Non-Cash Asset Manager

Trust Land Office

The TLO manages ~~The Trust~~the Trust's non-cash assets on behalf of ~~the Trust~~the Trustees, in accordance with applicable statutes, regulations, and a memorandum of understanding between ~~The Trust~~the Trust and DNR (DNR MOU).

~~The trust~~The Trust land resource component of ~~The Trust~~The Trust is made up of about 5,000 land parcels statewide, totaling about one million acres. TLO management responsibilities are provided for in AS 38.05.801, 11 AAC 99, and the DNR MOU.

TLO outcomes are projected for the upcoming ~~five-year period of time~~budget cycle with annual outcomes addressed in annual TLO budgets approved by ~~the Trust~~the Trustees. While the TLO consults primarily with the ~~Resource~~ resource ~~Management~~ management ~~Committee~~ committee of ~~the Board~~the board on specific transactions, consultation can also occur between the TLO and the TAO and between the TLO and the ~~full B~~board, in accordance with specific ~~Board~~ board policies or transaction circumstances.

The performance of direct private equity real estate will be ~~periodi~~annua~~ca~~lly evaluated using an index or indices determined by the resource~~s~~ management committee~~, such as the NCREIF[1] Property Index (NPI)~~.

~~TLO rents and sale value expectations are to be guided by a TLO fee schedule, with final decisions being made after full consideration is given to the specific transaction being proposed and the existing market place associated with the transaction. The TLO fee schedule will be updated in accordance with policies established by the Board, but no less often than every fivetwo years.~~

General operating expectations are as follows:

- ~~the~~ TLO will focus first on land or resources at the high end of their market values ("Best Markets") and then on land or resources with Best Market potential within the next two to ten years;
- land or resources not included above will be considered "Long Term Market" lands, with TLO management emphasis placed on reasonable value preservation and enhancement actions in the interim;
- generally, the TLO will focus on transactions that:
    1. maximize return at prudent levels of risk;
    2. contribute to a diverse assortment of resource activity;
    3. provide ancillary values to ~~The Trust~~The Trust; and
    4. remove or prevent liability risks;
- leases are preferred over sales, and, when reasonable to do so, land values should be enhanced before disposal through lease or sale;
- transactions should not harm values of or future opportunities associated with other Trust lands;

~~[1]NCREIF (National Council of Real Estate Investment Fiduciaries) Property Index is a quarterly time series composite total rate of return measurement of investment performance of a very large pool of individual commercial real estate properties acquired in the private market for investment purposes in a fiduciary environment. The NPI reports nationally and regionally as well as by property type.~~

- investments in Trust land should compete favorably with the projected long-term total rate of return of the Alaska Permanent Fund Corporation;
- land exchanges may be considered, when associated costs and outcomes can be reasonably established;
- if beneficiary program~~beneficiary-related~~ uses of Trust lands are proposed at rents ~~that are~~ below fair market value, the increment between proposed rents and fair market value rents will be considered an allocation of Trust revenue and must be approved by ~~the Board~~the board;
- lands, structures, and resources may be acquired when the acquisition will add value to ~~The Trust~~the Trust's non-cash asset portfolio or will contribute to the mission of ~~The Trust~~the Trust in another way. All acquisitions will be analyzed on a 'Life Cycle Basis'; defined as the present value of the acquisition cost, the operating income/benefits during the holding periods and the value of the asset at disposition.

In accordance with AS 13.38, 20 AAC 40.610, and this AMPS, TLO revenue will be allocated as follows:

- To Principal: Land sale revenues; royalties from coal, gas, materials, minerals, and oil; perpetual easements; and 85% of revenues from timber sales.

- To Income: Interest from land sale contracts; bonus bids; rents; and 15% of revenues from timber sales.

Control Procedures

AMPS Revisions

It is not expected that the AMPS will change frequently. In particular, short-term changes in the financial, real estate and natural resource markets and associated operating arenas should not require adjustments to the AMPS.

Cash Assets

APFC & ~~,~~ DOR~~, and TAO~~ performance will be reviewed at least annually by the ~~Finance~~ finance ~~Committee~~ committee who will report all performance to ~~the Board~~the board to determine the continued feasibility of achieving the investment and Trust land management objectives and the appropriateness of the AMPS for achieving those objectives.

Non-Cash Assets

The TLO will maintain a ~~base~~ level of management capacity necessary to prudently manage and develop Trust non-cash assets over time. It is understood that this component of Trust non-cash asset management represents a significant expense to ~~The Trust~~The Trust.

The duties and responsibilities of the TLO are generally provided for in AS 38.05.801 and more specifically provided for in 11 AAC 99 and the DNR MOU. The specific management principles are provided for in 11 AAC 99.

TLO performance will be reviewed at least annually by the ~~Resource Management Committee~~resource management committee ~~who~~which will report all performance to the board.

Spending Policies

The ~~Board~~ board has the authority to authorize the expenditure of Trust funds to protect and enhance the value and productivity of Trust assets, for the award of grants and contracts in fulfillment of ~~The Trust~~the Trust's purpose to ensure a Comprehensive Integrated Mental Health Program, and, with legislative approval, the operating expenses of the TAO. This Spending Policy outlines five ~~Board~~ board objectives:

1. protect and enhance the corpus of ~~The Trust~~the Trust by allocating sufficient resources to ensure that Trust assets are properly managed, including the use of principal allocated to ~~the Trust~~the Trust Authority~~Land~~ Development Account, where appropriate, to maximize the value and productivity of Trust non-cash assets;

2. apply smoothing mechanisms to mitigate the effects of short-term market volatility on spending and maintain a reliable funding stream to ensure the support of a Comprehensive Integrated Mental Health Program for the beneficiaries;

3. establish a Budget Reserve account to ensure funding support for the Comprehensive Integrated Mental Health Program is maintained in a difficult market environment;

4. maintain the purchasing power of ~~the Trust~~the Trust principal, including addressing the effects of inflation, by using the reserve model consisting of the

Budget Reserve account originally recommended by Callan Associates in 1996; and

5. follow a spending policy based upon a sustainable percentage of investment net asset values ~~realized return from investments~~ and expendable ~~actual~~ income from Trust land management.

The ~~Board~~ board recognizes achieving Trust asset management objectives requires adequate resources be allocated for that purpose by reimbursing APFC and DOR, and DNR~~-~~ for the reasonable costs of managing Trust assets.

Annual Available Funding Framework

Having a relatively consistent and predictable funding stream is paramount to ensuring an effective Comprehensive Integrated Mental Health Program. To mitigate the effects of periodic market volatility on funding, ~~the Board~~the board utilizes smoothing mechanisms to maximize funding consistency.

The ~~sum of the~~ following components ~~has~~ have been established as a framework to aid Trustees in determining the annual available funding amount:

- An annual withdrawal calculation consisting of 4.25 percent of the rolling four year-end average aggregate net asset value (NAV) of the following:
  - Principal invested at APFC[2]
  - Budget Reserve invested at APFC
  - Budget Reserve invested at DOR

- The rolling four year-end average of lapsed appropriations funded from the Settlement Income Account[3];

- The rolling four year-end average of expendable income generated by Trust Land Office operations;

- The rolling four year-end average of interest earned on cash held with the General Fund and Other Non-Segregated Investments (GeFONSI) managed by DOR;~~.~~

- The unobligated/unallocated funds that could have been authorized in previous fiscal years under this framework calculation; and

[2] Funds in ~~the Trust~~the Trust Authority~~Land~~ Development Account are not included in the payout calculation unless Trustees approve otherwise.

[3] Settlement Income Account AKSAS fund 34046 only. Lapsed appropriations funded from the Facility Maintenance Account are not included in the calculation.

- Other miscellaneous unrestricted revenues properly deposited into ~~the Trust~~the Trust Settlement Income Account such as contributions from partner agencies and the recovery of prior year expenditures received after the funding appropriation lapsed.

Trustees reserve the right to expend additional funds when circumstances warrant. For instance, if original projections used to build a preliminary budget prove materially inaccurate due to deteriorating market conditions, ~~Trustees~~ trustees may elect to authorize funds beyond what the framework above would generally suggest. Concurrently, ~~Trustees~~ trustees acknowledge that ~~Principal~~ principal assets must be safeguarded.

The annual withdrawal calculation amount will be transferred to the Settlement Income Account and invested with the GeFONSI with minimal risk on a lump sum or periodic basis by the CFO in consultation with the CEO based on market conditions and cash flow needs.

Budget Reserve Guidelines

In order to fulfill funding requirements during market downturns, a Budget Reserve account will be maintained to help ensure funding availability. Based on a Callan Associates study of the Alaska Permanent Fund and the Alaska Mental Health Trust Fund, the Budget Reserve is set at 400% of the targeted annual withdrawal calculation amount. This reserve amount should be adequate to provide maximum assurance that ~~The Trust~~the Trust will be able to meet ~~its~~ annual ~~available~~ funding goals.

One half of the Budget Reserve shall be invested by the DOR. The remainder of the Budget Reserve shall be invested by the APFC in the same manner as the Principal.

When APFC experiences gains for a given year, the Budget Reserve at DOR will first be adjusted up to 200% of the current year's targeted annual withdrawal calculation. If additional gains remain, adjustments will be made to the Budget Reserve invested by APFC. When the Budget Reserve is fully funded at both DOR and APFC, funds may be used ~~assigned~~ to help offset the effects of inflation ("inflation proofing"). The effect of inflation will be estimated by using US Department of Labor Bureau of Labor Statistics CPI-U index[4].

- ~~[5].~~

[4] Consumer Price Index All Urban Consumers; U.S.; All Items; 1967=100

~~[5] Funds may be irretrievably transferred to the non-spendable principal account or retained with the Budget Reserve in a notional inflation-proofing account.~~

~~If no provision has been made to offset the effect of inflation for multiple years, Trustees may assign a portion of the Budget Reserve as an inflation buffer.~~

When the APFC or DOR experiences losses for a given year, the Budget Reserve at DOR will be maintained or adjusted to 200% of the annual withdraw calculation from the Budget Reserve at APFC.

In the event of severe and/or sustained losses whereby the Budget Reserve is insufficient to meet the annual payout while maintaining at least 200% of the current year's annual withdrawal calculation then the withdrawal rate or amount may be reviewed by ~~the Trust~~the trustees.

Full or partial inflation proofing may be facilitated by one of the following methods:

- Inflation proofing permanent transfer (official non-spendable transfer)
  - Upon notification by the CFO that Trustees have performed an official and permanent inflation proofing, APFC will initiate an accounting entry to irretrievably transfer funds from Budget Reserves to the non-spendable principal account.

- Inflation proofing assignment (notional transfer)
  - No official entries are necessary as funds remain in the Budget Reserve account at APFC, however the board is officially on record assigning the balance perpetually just as though the funds were principal. This balance is not factored into the base goal to maintain 400% of the targeted withdrawal in reserves. The notional inflation proofing subaccount of Budget Reserves may theoretically be utilized by the board under draconian market circumstances~~ <do trustees want to discuss a higher voting threshold (e.g. super majority or unanimous approval) to allow expenditure>~~.

~~*Land Development Account Utilization Guidelines*~~

~~*The value and productivity of Trust non-cash assets must be maximized through the reinvestment of Trust principal where appropriate. To achieve this objective, the Board will maintain a Trust Land Development Account to use Trust principal to exchange one principal asset for another, to maintain or enhance the value of The Trust's existing non-cash asset portfolio, either through prudent investments in non-cash assets already owned by The Trust or through the acquisition of additional assets.*~~
~~*Project-specific investment recommendations will be noticed to the public in the same manner as TLO land disposal actions (11 AAC 99.050), except that requests for decision reconsideration (11 AAC 99.060) must be made to the CEO of the Trust Authority rather than the Executive Director of the TLO.*~~

~~*The TLO will make periodic funding recommendations for the Trust Land Development Account as part of the overall Trust budgeting process. Recommendations will be based upon a specific work plan.*~~

~~*Funding recommendations will follow the capitalization thresholds for capital assets as delineated in the Alaska Administrative Manual.*~~
Trust Authority Development Account Guidelines

The board will maintain the Trust Authority Development Account (TADA) to use Trust principal to exchange one principal asset for another.

The value and productivity of Trust cash and non-cash assets must be maximized through the reinvestment of Trust principal from time to time. This includes investments made through Program Related Investments (PRI), the Resource Management Strategy (RMS) or ~~any~~ other programs approved by ~~the Trust~~trustees ~~deem appropriate.~~.

T~~To achieve these objectives, the Board~~the board may directly use ~~income or~~ principal assets to enhance the capacity of the state's mental health program or to maintain or enhance the value of ~~The Trust~~the Trust's existing non-cash asset portfolio ~~as determined by the board~~. This may be accomplished through ~~the use of cash or non-cash assets in the form of~~ financing of projects, purchase/lease of assets, exchange or resale. ~~The Bboard will maintain the Trustthe Trust Authority Development Account (TADA) to use Trust principal to exchange one principal asset for another.~~

Recommendations for expenditure from the TADA ~~These recommendations~~ will be noticed in the same manner as other Trust expenditures, including presentation to appropriate Trust committees and final approval by a committee or ~~the Board~~the board of ~~T~~trustees, as provided for in ~~the Trust~~the Trust

Comment [MM1]: Replace with new language approved on 9/3/2014.

Comment [WSF(2]: Language presented to and approved by Board of Trustees 9/3/2014

~~B~~bylaws. Recommendations will be based upon a specific work plan with identified priorities.

~~Trust staff will work with the TLO to make periodic PRI funding recommendations to the Boardthe board specific to utilization of the TADA. The TLO will make periodic project specific funding recommendations for the TADA to implement the RMS or any other program the Trustthe Trustees deem appropriate. Recommendations will be based upon a specific work plan with identified priorities.~~

Definitions

For purposes of ease of administration and understanding of this Asset Management Policy Statement, the following terms are defined or clarified:

APFC: The Alaska Permanent Fund Corporation manages the cash assets of the Alaska Mental Health Trust Authority under the APFC ~~Board's~~ board's asset allocation policy and its investment policies and guidelines for major asset classes.

ASSETS: Consists of the cash and non-cash assets of the Alaska Mental Health Trust Authority, including property and resource assets acquired by the TLO on behalf of ~~The Trust~~the Trust.

BOARD: The governing body of the Alaska Mental Health Trust Authority established by AS 47.30.016.

BUDGET RESERVE: Budget Reserve is set at 400% of the targeted annual disbursement amount. This reserve amount should be adequate to ensure ~~The Trust~~the Trust's ability to meet its spending goals in a difficult market environment and to ensure liquidity in future years. The budget reserve is maintained both within the state treasury (in GASB fund 34047) as well as the Alaska Permanent Fund Corporation.

CHIEF EXECUTIVE OFFICER (CEO): The staff position as defined by AS 47.30.026 serving ~~the Board~~the board as the chief executive officer of the Alaska Mental Health Trust Authority.

TRUST SETTLEMENT INCOME ACCOUNT: ~~–~~ The account in which income available for appropriation and expenditure is deposited (and from which agencies receiving MHTAAR funded appropriations expend). The account is maintained on the state accounting system as GASB fund 34046.

TRUST AUTHORITY~~LAND~~ DEVELOPMENT ACCOUNT: A ~~temporary~~ ~~Principal~~ principal account maintained by ~~the Board~~the board to facilitate periodic principal exchanges and to enhance the value of ~~The Trust~~the

Trust's assets. ~~It is also the holding place for cash principal until it is transferred to the APFC for investment alongside the Alaska Permanent Fund.~~ The account is maintained on the state accounting system as GASB fund 34045. Prior to September 2014, this account was referred to as the Trust Land Development Account.

TRUST FACILITY MAINTENANCE ACCOUNT: A component of the Settlement Income Account where a portion of facility rents are deposited to finance operations and maintenance on buildings owned by ~~The Trust~~The Trust. The account is maintained on the state accounting system as GASB fund 34048. The account was originally authorized by Resolution 05-04.

TRUST LAND PORTFOLIO: The non-cash assets of the Alaska Mental Health Trust Authority that are managed by ~~the Trust~~the Trust Land Office, including improved properties and facilities.

SETTLEMENT: The statutes, settlement agreement, letters clarifying the settlement agreement, and the final Superior Court order creating and approving the settlement of Weiss v. State of Alaska.

STAFF:~~-~~ The CEO, ~~the Trust~~Trust Land Office Executive Director, ~~any~~ all employees of ~~the Trust~~the Trust ~~Administrative Office~~ and~~/or~~ the Trust Land Office.

TRUST: The Alaska Mental Health Trust established by Congress under the Mental Health Enabling Act of 1956.

TRUST AUTHORITY:~~—~~ The Alaska Mental Health Trust Authority established by AS 47.30.011.

TRUSTEE(S):~~-~~ The ~~Board~~ board of ~~Trustees~~ trustees of ~~the Trust~~the Trust Authority, either collectively or individually.

TRUST ADMINISTRATIVE OFFICE (TAO) ~~(TAO)~~: The office with responsibility for providing support to the ~~Chief~~ chief ~~Executive~~ executive ~~Officer~~ officer and ~~Board~~ board of ~~Trustees~~ trustees in management of Trust financial assets and in assuring development of the Comprehensive Integrated Mental Health Program.

TRUST LAND OFFICE (TLO):~~—~~ The office with responsibility for management of ~~the Trust~~the Trust non-cash assets (property and natural resource assets), established within the Department of Natural Resources under AS 44.37.050.

TRUST LAND OFFICE (TLO) EXECUTIVE DIRECTOR: The staff position serving the ~~Commissioner~~ commissioner of the Department of Natural Resources in conjunction with ~~the Board~~the board as the ~~Executive~~ executive ~~Director~~ director of ~~the Trust~~the Trust Land Office.

Planning Committee Report

The TRUST
The Alaska Mental Health
Trust Authority

3745 Community Park Loop, Suite 200
Anchorage, Alaska 99508
Phone: 907-269-7960
Fax: 907-269-7966

To:	Board of Trustees
From:	Paula Easley, Planning Committee Chair
Date:	11/7/2014
Re:	Planning Committee Report to Board of Trustees

MEMO

The Planning Committee met on one occasion October 22, 2014 since the last Planning Committee report on September 3, 2014. A summary of the meeting agenda items:

October 22, 2014 Planning Committee meeting

- Trustees participating: Paula Easley, Mary Jane Michael, Russ Webb, John McClellan, Laraine Derr, Larry Norene, and Mike Barton.
- Heidi Wailand, the Trust contractor on the Alaskan Behavioral Health Systems Assessment, provided a project update to Trustees. While there have been unexpected course corrections during implementation, the project is on the verge of having some preliminary quantitative data analysis results. In the coming month there will also be some notable progress made in the qualitative data gathering as surveys of behavioral health providers and behavioral health aids are administered in November.
- Melissa Kemberling from the Mat-Su Health Foundation provided a summary of results from their environmental scan on behavioral health crisis response services in the Mat Su Borough. There are a number of findings that are likely to be similar in other regions of the state. Some of the key findings are that a majority of behavioral health related crisis services are not provided by behavioral health providers. Patients with behavioral health needs require more time, are admitted more frequently and transferred to higher levels of care, and tend to use more financial resources than patients with non-behavioral health related needs. As results of the remaining parts of their behavioral health scan of the Mat-Su Borough become available they will be shared with the Trust.
- Lizette Stiehr and Michael Bailey, of the Alaska Association on Developmental Disabilities, provided an overview of the results of their report on the impact of the MMIS systems problems upon providers of Developmental Disabilities related services. The results quantified the financial impact of MMIS problems on the service providers, and have been shared with the Department of Health and Social Services.
- Trustees and Trust staff discussed the current Medicaid Waiver programs housed within the Division of Senior and Disabilities Services, as well as potential future waivers. Feedback was gathered on content for a follow-up presentation and discussion on Medicaid waivers and services for the November Full Board of Trustee meeting.
- Trust staff presented brief focus area updates, and the status of the work of the Program Related Investment ad hoc working group.

FY13 Authority Grant Performance Summary

- This was on the agenda for the October 22nd Planning Committee, however was not reviewed as a result of time constraints.
- A copy of the FY13 Authority Grant Performance Summary is attached for Trustee review and discussion.

NEXT Planning Committee meeting **January 7, 2015**: Potential agenda items are currently being identified.

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The Trust
The Alaska Mental Health Trust Authority

3745 Community Park Loop, Suite 200
Anchorage, Alaska 99508
Phone: 907-269-7960
Fax: 907-269-7966

MEMO

To: Paula Easley, Chair
Planning Committee
Cc: Michael Baldwin, Evaluation and Planning Officer
From: Carrie Predeger, Grants Accountability Manager
Date: 10/22/2014
Re: FY13 Authority Grant Performance Summary

FY13 AUTHORITY GRANT PERFORMANCE SUMMARY

FY13 Authority Grant General Overview

The Trust awards Authority Grants in a variety of funding categories:

- Focus Area related Grants
- Designated Grants
- General Authority Grants
- Partnership Grants
- Conference Grants
- Small Project Grants

The Authority Grant award and project term is generally one year in length. However, there are some project periods that are longer in term. On a case by case basis, extensions of the project term are possible. Authority Grants are awarded on different funding cycles, and thus have different starting and ending dates that often cross two or more fiscal years.

This summary addresses the Authority Grant projects that were closed in FY13.

Authority Grants Reviewed by Funding Type

There were 103 Authority Grant projects that were funded and closed in FY13, for a total of approximately $6,443,351. The breakdown of projects is as follows:

AG Type	# of Grants	Funding Amount	% of Total Funding
Focus Area	39	$3,843,573	60 %
Designated Grants	12	$671,025	10 %
General Authority	9	$1,067,000	17 %
Partnership	14	$674,949	10 %
Conference	14	$61,700	1 %
Small Projects	15	$125,104	2 %
Total	**103**	**$6,443,351**	100 %

Authority Grants Reviewed by Focus Area

There were 39 Focus Area (FA) related Authority Grants (AG), that comprised approximately 37.9% of the total projects that were closed in FY13. The breakdown is as follows:

Focus Area	# of Grants	Funding Amount	% of Total FA AG Funding
Beneficiary Projects Initiative	20	$2,768,983	72.0 %
Bring The Kids Home	1	$100,000	2.6 %
Disability Justice	4	$147,695	3.8 %
Housing	13	$651,895	17.0 %
Workforce	1	$175,000	4.6 %
Total	**39**	**$3,843,573**	100 %

The Bring the Kids Home, Disability Justice and Workforce focus areas tend to be funded primarily with MHTAAR.

Numbers Served—How Much Did We Do?

Where applicable, grantees are asked to report the number of beneficiaries served or impacted by their project, the number of individuals served through project outreach and education efforts, as well as the number of professionals who were trained as a result of their project. The number of individuals served is provided below, broken down by project type and the following categories:

- Primary Beneficiary – the traditional Trust Beneficiaries (i.e., Mental Illness, Alcohol/Substance Related Disorders, Alzheimer's Disease and Related Dementia, Developmental Disabilities, Traumatic Brain Injury).
- Secondary Beneficiary – family members or caregivers providing support to the Primary Beneficiaries.
- Outreach & Education – members of the general public who were the focus of outreach, prevention or education activities (i.e., health fairs, screenings, media campaigns etc.).
- Professionals Trained – individuals with professional training and various educational backgrounds who are paid to provide care.

The following table provides an estimate of the number of individuals served by the Authority Grant projects that were closed in FY13. The totals from FY09 - FY12 are included for comparison.

	Authority Grants Reviewed					
AG Type	Primary Beneficiary	Secondary Beneficiary	Total Beneficiary	Outreach & Education	Professionals Trained	Total Served
Focus Area	12,850	2,117	14,967	1,663	936	17,566
Designated Grants	2,150	12	2,162	4,540	1,863	8,565
General Authority	346	94	440	951	710	2,101
Partnership	1,147	25	1,172	1,714	731	3,617
Conference	0	0	0	3,882	3,976	7,858
Small Projects	100	132	232	108	61	401
FY13 Total	16,593	2,380	**18,973**	12,858	8,277	**40,108**
FY12 Total	6,832	2,217	9,049	17,220	4,886	31,155
FY11 Total	10,070	2,145	12,209	17,264	3,623	33,096
FY10 Total	8,522	4	8,526	3,287	9,214	21,027
FY09 Total	7,247	149	7,396	11,672	2,928	21,996

Project Performance—How Did the Grantees Do?

Authority Grants (Focus Area, Designated, General Authority and Partnerships) were rated on four performance related scales – Grant Compliance (1-5), Sustainability (1-3), Proven Impact (1-3), and Potential for Future Replication (1-3) that, when summed, could result in a score ranging from 4-14. The Conference and Small Project related Authority Grants were rated on Grant Compliance (1-5) only; therefore, when summed could result in a total score ranging from 1-5. After each grant was rated, the scores were averaged across the type of grant awarded; the higher the score, the better the rating.

The performance ratings:

Authority Grants	FY09	FY10	FY11	FY12	**FY13**
Focus Area, Designated, General Authority, Partnerships	10.4	10.1	10.1	9.2	**10.1**
Conference & Small Projects	3.8	4.3	4.6	4.5	**4.0**

Is Anyone Better Off?

For Authority Grant projects that were closed in FY13, the percentage of direct service projects reporting beneficiary improvements in quality of life was **60.5%**. For longitudinal comparison, the table below indicates the percentage of direct service projects reporting direct beneficiary improvements in quality of life from FY09-FY13.

	FY09	FY10	FY11	FY12	**FY13**
% of projects reporting direct beneficiary improvements in quality of life	45.8%	60.4%	58.9%	52.1%	**60.5%**

Medicaid Waiver Tutorial

Brief Medicaid Plan and Waiver Overview

State Plan Services

The Alaska Medicaid State Plan is an agreement between the Department of Health and Social Services and the Centers for Medicare and Medicaid (CMS), which describes how the state will administer its programs. The Medicaid state plan gives assurances that the state will abide by the federal rules and in return be able to claim federal matching funds; Federal Financial Participation. The state of Alaska's federal match is 50%, meaning that in general, for every dollar spent, AK pays $.50 and Federal government pays $.50 (with the exception of specific Tribal entities, wherein the federal match is 100%).

The state plan establishes groups of individuals to be covered and the eligibility criteria, services to be provided, reimbursement methodology to providers, and defines administrative activities. Section 1905(r) of the Social Security Act provides a menu of services that are mandatory or optional for states to select to make available. The state plan is a living document and allows states to make changes to programs, policies or operations, however a state plan amendment must be submitted to the CMS for review and approval. An amendment may also be required in the event of federal changes in law, regulation, policy interpretations or court decisions.

What is "regular Medicaid"?

Medicaid is an entitlement program created by the federal government with shared state responsibility. It is the primary public program for financing basic health and long-term care services for low-income Alaskans. It is the public program for financing basic health and long-term care services for low-income Alaskans. It is important to note that for individuals applying for Home and Community Based Waivers, they must first apply for Medicaid with the Division of Public Assistance and be approved in addition to meeting the criteria outlined below.

Medicaid Home and Community Base Waiver Services

Section 1915(c) of the Social Security Act permits states to "waiver" certain Medicaid requirements in order to provide an array of services and supports that promote community living for Medicaid beneficiaries and thereby, avoid institutionalization (see waiver services handout).

The Division of Senior and Disabilities Services (SDS) manages and provides oversight of the four (4) Medicaid Waiver programs. These programs allow for individuals who meet financial eligibility for Medicaid, in addition to meet a level of necessity for care that is customarily provided in a nursing facility or institutional level of care and choose to receive the support in their home or community. These four programs are administered based on the individuals need for an Intermediate Care Facility or Nursing Facility Level of Care, which is determined by medical documentation and functional assessments completed by SDS assessors.

Intermediate Care Facility for individuals with Intellectual Disability

Eligibility criteria are based on an individual's diagnoses, functional ability and need for support. The person may need a combination of coordinated supports to help with mobility, self-care, communication, learning, self-direction, social skills, life skills, community living and economic self-sufficiency and vocational skills. This includes:

1. **Intellectual and Developmental Disabilities (I/DD)**- for people of all ages who experience developmental or intellectual disabilities.

Nursing Facility Level of Care

Care is characterized by the person's need for skilled nursing or structured rehabilitation ordered by and under the direction of a physician. Individuals must also experience significant limitations with the five areas of activities of daily living (ADL's). This includes: **bed mobility**; turning and repositioning while in bed, **eating**; how the person eats or otherwise takes in nutrition, **locomotion**; getting around within the home and room to room, **transfer**; getting from one surface to another, i.e. bed to chair, **toileting**; how the person accomplishes personal hygiene. Individuals may also require intermediate nursing services which is; observation, assessment and treatment for individuals with long term illness or disability whose condition is relatively stable and the emphasis is on maintenance rather than rehabilitation. This includes:

2. **Adults Living Independently (ALI)**- adults age 21 and older who experience physical disability or functional needs associated with aging.
3. **Adults with Physical and Developmental Disabilities (APDD)** – for individuals 21 and older who experience both physical and developmental disabilities.
4. **Children with Complex Medical Conditions**- children and young adults under the age of 22 years old who are medically fragile and often require frequent lifesaving treatments or interventions and/or are dependent on medical technology.

Optional State Plan Services

Section 1915 (i) of the Social Security Act is the State Plan Home and Community- Based Service. Individuals must meet state defined criteria based on need, which typically is a combination of acute medical services (dental, skilled nursing) and long-term services (respite case management, supported employment and environmental modifications). States have the flexibility to target one or more specific target groups by diagnosis (ADRD, TBI, SMI, IDD), disability (cognitive impairment), age (65+) or Medicaid eligible groups (disabled, working disabled). There is a functional needs-based criteria however; it is must be less stringent than Nursing Facility Level of Care. The program can serve multiple target groups with a different set of services for various groups but all individuals must meet the same eligibility criteria. Services may include: case management, homemaker, personal care, habilitation, psychosocial rehabilitation, supported employment, supported housing.

Section 1915 (k) of the Social Security Act is the Community First Choice Option for Home and Community Based Services. This state plan option increases federal FMAP by 6%, requires individuals to meet institutional level of care therefore, an opportunity to replace the existing 1915 (c) waivers and the Personal Care Attendant (PCA) program. Services include a wide range of home and community based services, including hands on assistance, supervision and cueing (residential and day habilitation, chore, respite adult day, and residential supported living), however it does not include assistive technology, medical supplies and equipment or home modifications.

1. Senior and Disabilities Services Beginning Care coordination Self-Paced Training Curriculum
2. Centers for Medicare and Medicaid; Medicaid.gov

How do I find out if I am eligible for a waiver?

First, contact a care coordinator, who will help you apply. S/he will arrange for someone to come to your home to do an assessment that finds out what your medical and functional needs are. You will get a letter that tells if you are approved for services or not.

How do I find a care coordinator?

Contact an Aging and Disability Resource Center at **1-877-6AK-ADRC (1-877-625-2372)** or Senior & Disabilities Services at **269-3666.**

How do I know what services I can get?

Once you are found eligible for a waiver, your care coordinator will help you to develop a plan of care that is based on the assessment of your functional or medical needs. Sometimes there are rules that might limit what service(s) you can have. To find out what services are available in your area, visit the Service and Provider Search Tool web site: **http://dhss.alaska.gov/dsds/Pages/provider-search-redirect.aspx**

Do I have to have a care coordinator?

Yes. S/he will write your plan of care, find service providers, and check on your services. Your care coordinator will contact you at least twice each month. Once must be in person to make sure your services are working for you. You may contact your care coordinator at any time to discuss your services and any concerns you may have.

Do I have to get all my services from the same agency?

No. You may choose to get approved services from any certified provider in your area.

Contact information:

Division of Senior & Disabilities Services

550 W Eighth St.
Anchorage, AK 99501

1-907-269-3666
1-800-478-9996 (toll-free)

http://dhss.alaska.gov/dsds/Pages/default.aspx

Aging & Disability Resource Centers

1-877-6AK-ADRC (toll-free)
(1-877-625-2372)

http://dhss.alaska.gov/dsds/Pages/adrc/default.aspx

SDS Service & Provider List

http://dhss.alaska.gov/dsds/Pages/provider-search-redirect.aspx

STATE of ALASKA
Department of Health and Social Services

Alaska's **Home** *and* **Community Based**

Medicaid Waivers

Alaskans Living Independently Waiver

Adults with Physical and Developmental Disabilities Waiver

Children with Complex Medical Conditions Waiver

Intellectual and Developmental Disabilities Waiver

ALI= Alaskans Living Independently, APDD= Adults with Physical and Developmental Disabilities, IDD= Intellectual and Developmental Disabilities, CCMC= Children with Complex Medical Conditions

WAIVER SERVICES

Alaska's four Medicaid waivers support the independence of Alaskans who experience physical or developmental disabilities by providing services in their homes and in the community rather than in an institution such as a nursing home. Each waiver covers a different set of services. Which services are available depend on a person's age and where s/he lives.
Services approved for each waiver are marked with a ✓; FT=full time; ALH=assisted living home.

	ALI	IDD	APDD	CCMC
*** **Care coordination:** All waivers require a care coordinator. Your care coordinator will work with you to identify which services you need, and make sure that you get them.	***	***	***	***
In-home supports: Up to age 18; help to get, keep or improve self-help and social skills; must live FT with unpaid caregiver.		✓		✓
Family habilitation: Help to get, keep or improve self-help and social skills; live FT in the licensed home of a paid caregiver.		✓	✓	✓
Group home: Help for ages 18+ to get, keep or improve self-help and social skills; live FT in a licensed ALH.		✓	✓	✓
Supported living: Help for ages 18+ to get, keep or improve self-help and social skills; must live FT in your own residence.		✓	✓	✓
Residential Supported Living: Help with activities of daily living for adults who can't live alone & live FT in a licensed ALH.	✓		✓	
Specialized private duty nursing services: Nursing services for ages 21+ by a licensed nurse, specific to your needs.	✓	✓	V	
Day habilitation: Ages 3+; Recreational,other activities outside the home to develop self-help and social skills.		✓	V	✓
Adult day services: Group adult day care provided by an organization.	✓		✓	
Respite: Occasional breaks for unpaid caregivers.	✓	✓	✓	✓
Supported employment: Training, support, and supervision to get job skills and to help find and keep a job.		✓	✓	✓
Transportation, Escort: Rides to get to community resources and activities. If necessary, help during the ride.	✓	✓	✓	✓
Environmental modifications: Health- and safety-related home modifications to your own residence.	✓	✓	✓	✓
Chore services: Regular cleaning and heavy household chores in your own residence, when no-one else can do the work.	✓	✓	✓	✓
Meals: For 18+; Ready to eat meals delivered to your own residence (other than an ALH) or served in a group setting.	✓	✓	✓	✓
Specialized medical equipment and supplies: Items that help you communicate, perform daily activities and get out & about.	✓	✓	✓	✓
Nursing oversight: A registered nurse who ensures that care of a medical nature is delivered safely.		✓		✓
Intensive active treatment: Professional treatment/therapy to prevent behavior regression or to address a family, personal, social, mental, behavior, or substance abuse problem.		✓	✓	✓

Alaska Department of Health and Social Services

Organization Chart

Commissioner
William J. Streur

Chief Medical Officer
Ward B. Hurlburt, M.D.

- **PUBLIC HEALTH**
  Director: Kerre Shelton
  - Public Health Nursing
  - Epidemiology
  - Chronic Disease Prevention & Health Promotion
  - Emergency Programs
  - Women's, Children's & Family Health
  - Bureau of Vital Stat.
  - State Laboratory
  - State Medical Examiner's Office
  - Health Planning & Systems Development

Boards, Commissions and Workgroups
* Alaska Council on Emergency Medical Service
* Regional Health Information Org.
* Electronic Health Record workgroups

Acting Deputy Commissioner for Medicaid and Health Care Policy
Josh Applebee

- Medicaid Director
- Performance/Quality Assurance
- Medicaid Policy & Planning
- MMIS — DDI
- Rate Review
- Tribal Health

- **HEALTH CARE SERVICES**
  Director: Margaret Brodie
  - Medicaid Management
  - Health Facility Survey
  - Certification & Licensing
- **ALASKA PIONEER HOMES**
  Director: G. Ken Truitt
- **SENIOR & DISABILITIES SERVICES**
  Director: Duane Mayes
- **BEHAVIORAL HEALTH**
  Director: Albert Wall

Boards & Commissions
* Medical Care Advisory Committee
* Pharmacy/Therapeutics Comm.
* Alaska Pioneer Homes Advisory Board

Commissioner's Office

- Human Resources
- Regulations
- Health Information Technology

Public Information
Communications Manager
Clay Butcher

Legislative Relations
Jason Hooley

Health Care Policy
Josh Applebee, Deputy Director

Special Assistant
Tara Horton

Alaska Health Care Commission
Deborah Erickson, Exec. Dir.

Boards & Commissions

(Behavioral Health)
* Alaska Mental Health Board
* Advisory Board on Alcoholism and Drug Abuse
* Suicide Prevention Council

(Senior & Disabilities Services)
* Governor's Council on Disabilities and Special Education
* Alaska Commission on Aging

Deputy Commissioner for Family, Community & Integrated Services
Ree Sailors

- **CHILDREN'S SERVICES**
  Director: Christy Lawton
- **JUVENILE JUSTICE**
  Director: Karen Forrest

  Boards & Commissions
  * Juvenile Justice Advisory Committee
- **PUBLIC ASSISTANCE**
  Director: Leslie Houston

Assistant Commissioner for Finance and Management Services
Sana P. Efird

- Facilities
- Administrative Services
- Budget
- Revenue
- Fiscal
- Grants & Contracts
- Information Technology
- Federal Allocation Management Unit

THE STATE of ALASKA
GOVERNOR SEAN PARNELL

Department of Health and Social Services

SENIOR AND DISABILITIES SERVICES
Director's Office

P.O. Box 110680
Juneau, Alaska 99811-0680
Main: 907.465.3372
Toll free: 866.465.3165
Fax: 907.465.1170

November 10, 2014

Dear Friends:

The Division of Senior and Disabilities Services (SDS) manages four Medicaid waivers that provide access to home and community-based services for low-income Alaskans who are elderly or experience a physical, intellectual or developmental disability. On March 17, 2014, the Centers for Medicare and Medicaid Services (CMS), the federal agency that administers the Medicaid waiver program, released new regulations that will require significant changes to the way services are provided through the Medicaid waiver program.

First, the regulations define and describe the qualities and characteristics of a "home and community-based setting," and make it a requirement that all waiver services, in order to be considered for reimbursement, must be provided in settings that have these qualities. The state must develop a "transition plan" that informs CMS regarding the state's current level of compliance, as well as the specific actions the state will take to meet the requirements. The state must submit this plan to CMS no later than March 17, 2015, one year after the regulations were issued. SDS is in the process of working with providers toward this goal, and is confident that the transition to the new setting requirements will be complete within the maximum five-year transition period.

Also, the new regulations go farther than ever before in mandating the requirements for "person-centered planning," the process by which waiver recipients and their supporters develop a plan of care (POC) and freely choose service providers. The changes in federal regulation reflect the belief that recipients have real choice of providers only if that choice is made free from provider influence or pressure. To achieve this "conflict-free case management" as it is described by CMS, provider agencies that offer case management services (or care coordination, as we now call it in our waiver system) may not also provide any other waiver services. There is one exception. If any locality has only one agency willing and able to serve waiver recipients, the state will waive the "conflict-free" requirements and allow the agency to provide both case management and other waiver services.

We understand that news of these changes, especially the transition to "conflict-free case management," is causing concern in our community of stakeholders. Care coordinators working at agencies that also offer waiver services face uncertainly about future employment. Families worry about losing long-term, successful relationships with care coordinators, and agencies are anticipating big changes to the way they do business. In response, SDS is working with a group of providers, including representatives of the Alaska Association on Developmental Disabilities (AADD) and AGENET, to develop a plan to address these issues and effect changes that will accommodate recipients and their families, assure stability in our service system, and meet the new federal mandates.

A few specific clarifications:

- March 15, 2015 is the date by which the state must submit to CMS its "transition plan," not the date on which conflict-free case management must be in place in Alaska. SDS is in discussion with CMS regarding the transition, and will inform stakeholders on further progress and deadlines;
- Conflict-free case management allows, but does not require case managers to be "sole practitioner" entities; a group of two or more care coordinators may work together in a care coordination agency;
- SDS understands the challenges of verifying that an agency in a certain locality is the only agency willing and able to provide waiver services. We are working with providers to devise a system to manage this exception and ensure stability in the system;
- SDS considered the option of using existing community "Developmental Disability" and "Older Alaskans" grant funds to build capacity for independent case management in Alaska. Discussions with providers convinced us that this strategy may have destabilizing effects on services currently funded through grants, and we have abandoned this strategy for at least two years.

Thanks to all the providers, provider agency board members, recipients and families who have participated in our efforts to inform you about the new CMS regulations as well as our collaborative efforts to meet the new challenges the regulations bring. Please feel free to write or call me directly or, you may also contact Jon Sherwood at 465-5481, jon.sherwood@alaska.gov or Angela Salerno at 465-4874, angela.salerno@alaska.gov.

Sincerely,

Duane G Mayes

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