

## MEETING AGENDA

**Meeting:** Legislative & Audit Ad Hoc Committee  
**Date:** February 22, 2018  
**Time:** 11:00 AM  
**Location:** Trust Authority Building, 3745 Community Park Loop, Anchorage  
**Teleconference:** (844) 740-1264 / Meeting Number: 808 140 095 # / Attendee Number: #  
<http://thetrust.webex.com>  
**Trustees:** Greg Jones (Chair), Laraine Derr, Mary Jane Michael

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**Thursday, February 22, 2018**

**11:00a**     **Call Meeting to Order (Greg Jones, Chair)**

Roll Call  
Announcements  
Approve Agenda  
Ethics Disclosure  
Approve of Minutes – 12/28/17

**11:05**     **Legislative Audit Report**

**Executive session – (if necessary)**  
*In accordance with the Open Meetings Act, AS 44.62.310(c).*

**1:00p**     **Adjourn**

ALASKA MENTAL HEALTH TRUST AUTHORITY  
LEGISLATIVE & AUDIT AD HOC COMMITTEE MEETING

December 28, 2017

1:00 p.m.

Taken at:

3745 Community Park Loop, Suite 120  
Anchorage, Alaska

**OFFICIAL MINUTES**

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Trustees present:

Greg Jones (via Speakerphone), Chair  
Carlton Smith (via speakerphone)  
Laraine Derr (via Speakerphone)  
Jerome Selby (via Speakerphone)  
Paula Easley  
Mary Jane Michael

Trust staff present:

Mike Abbott  
Steve Williams  
Miri Smith-Coolidge  
Carley Lawrence  
Michael Baldwin  
Valette Keller

Trustee Land Office present:

Wyn Menefee

Also, present:

Patrick Reinhart (via Speakerphone)

**PROCEEDINGS**

CHAIR JONES calls the meeting to order and states that a quorum has been established. He asks for any announcements. There being none, he moves to the agenda.

TRUSTEE MICHAEL makes a motion to approve the agenda.

TRUSTEE EASLEY seconds.

*There being no objection, the motion is approved.*

CHAIR JONES asks for any ethics disclosures. There being none, he moves to the primary purpose of the meeting, to find out the status of the conversations that Mike Abbott has been having regarding the Trust legislation, and then to develop a firm agreed-to strategy going forward for this session. He asks Mike to continue.

MR. ABBOTT states that, since the board provided direction, staff has been working diligently to begin the process of getting a bill introduced for consideration during the 2018 regular session. This has been discussed generically with a variety of legislators. He adds that staff has been working primarily with Senator MacKinnon in terms of consideration as a prime sponsor for the legislation, who is very eager to move forward on this. He adds that she is the co-chair of the Senate Finance Committee, and she is confident that there is a good consensus in the Senate majority, and probably in the Senate overall, in support of all or most of what the Trust is trying to accomplish. He continues that Senator MacKinnon submitted the work draft that the AG's office developed with Mr. Jones last spring. Colleen Moore is the lead assistant attorney general and has worked with Mr. Menefee and the TLO team for a long time. She is also supported by a couple other assistant AG's. Ms. Moore believes that the Legislative legal draft is okay. There are a lot of formatting differences between how the AG proposed it and how Legislative legal has drafted it. She is trying to figure out whether there are any substantive differences; not just stylistic ones. He adds that it looks like it is compliant with what is trying to be accomplished. Ms. Moore will offer suggestions as to how to make sure it accomplishes what the Trust would like. He states that this could be introduced or be ready for introduction by the 15<sup>th</sup> of January.

CHAIR JONES asks if the Legislature is talking with Ms. Moore and the AG's office, or if they going through the Trust.

MR. ABBOTT replies that it is going through the Trust, and that there may be an opportunity to go more directly. If that happens, it will be because Senator MacKinnon essentially insists on it.

CHAIR JONES states that, for the time being, he prefers that it goes through the Trust. He knows that it cannot be controlled, but we would like to be in a position of knowing immediately if there are any changes that may be made.

MR. ABBOTT states that the first task is to try to limit or at least manage the committee referral process. He continues that Senator MacKinnon will continue working with the Senate President's office. The two big strategic questions that will be deferred to Senator Mackinnon are: first, if she wants any cosponsors for her bill; the other is if she wants a House companion bill, which would essentially be an identical bill introduced by a House member. This would have both bills moving on a parallel track through both bodies. He adds that the Senator feels confident that this will work through the Senate in a relatively brief period. There is a good chance, then, of getting it through the House before the end of the regular session in 2018. That also falls into the timing of the Legislative Audit. He states that he has not been able to get a commitment from Legislative Audit as to when the board will be able to review the preliminary findings. He continues that he heard that all of the audits are behind right now. He adds that this is not necessarily a bad thing. It is important for this committee and the Full Board because of

the need to convene a meeting for part of the 15-day review. He states that it will be, at the earliest, late January.

CHAIR JONES states that he thinks that the review of the audit is within the charge that the Board of Trustees gave when this committee was formed. He asks Mr. Menefee if the auditors have been in contact about this.

MR. MENEFEE replies no.

MR. STEMPE compliments Mr. Menefee and his staff regarding the document requests that were prepared. The Trust Land Office has done a very good job of organizing everything. He states that there are some administrative benefits on the project from the front-end work by the staff.

CHAIR JONES thanks Mr. Stemp for the comments.

TRUSTEE EASLEY asks if there was any kind of a time line from the contractor.

MR. ABBOTT replies that there has been no contact with them.

A short discussion ensues.

MR. ABBOTT states that flexibility would be necessary in terms of the early February time frame. He continues that if the bill is introduced during the first week of the legislative session, which will be before the 20<sup>th</sup> of January, that will fit with the board meeting in Juneau. Once Senator MacKinnon can give a commitment that the bill will be introduced in that time frame, the board members can start organizing with senators that Senator MacKinnon wants the board to talk to in getting ready for this. He adds that if the bill is only referred to the Finance Committee, then there is not as much time pressure on this. He states that he has another issue to bring before the committee for some guidance. He continues that he would like to start talking to the advisory boards about the specifics of the legislation when the next draft is out, which is likely in the next week or ten days. He adds that he would like to send the draft to the advisory boards for their review, unless he hears any objections from the committee.

CHAIR JONES recommends getting the conceptual conversation with the boards completed as quickly as possible so that when the final language is received everyone will start from a knowledge base of understanding the goals. Then a meaningful work session can be had with the boards over the final language.

The members of the committee agree.

A short discussion on how the bill developed ensues.

CHAIR JONES states the need to resist the temptation of using this legislation to solve multiple problems. He continues that there are a lot of things that could be addressed in terms of organization, in terms of the relationships with the Department, but those trails need to be avoided for this effort. This legislation needs to be narrowly focused. It is the subject of the

audit, and it is the biggest question on everyone's mind. There is a need to resist both legal and legislative efforts to try to solve other broader problems as part of this legislation.

TRUSTEE MICHAEL asks how far the board must go to provide the policies and procedures regarding investment, and should those be worked on. She adds that she does not know how far in depth they will go or if the bill just stands.

MR. ABBOTT replies that Mr. Jones has prophesied the need to be able to show the Legislature that not only has the authority been used in the past, but it is set up to do a good job in the future, and they could trust the authority to do a good job going forward. One of the ways is because of the internal controls and processes that have been established. He states that a draft by staff will be available for trustee review at the next Finance Committee.

CHAIR JONES states that he sees this committee, the Legislative Affairs Committee, the Resource Committee, and the Finance Committee wanting to weigh in on it. He continues that if each committee is a committee of the whole, or functions as a committee of the whole, it is less important which committee gets it.

TRUSTEE MICHAEL asks if these are based on the original investment strategies that were set up around the commercial real estate investment.

MR. ABBOTT replies that these are broader than that, and asks Mr. Stemp to describe them.

MR. STEMPEL states that he read through the Asset Management Plan, the Resource Management Plan and took it all in. He continues that it is drafted as a risk-management document. It lays out the language for the timing of a board review in a routine process for the monitoring control. Then it lays out how much may be considered investing as an allocation of capital. It is a tool to put on the table and can continue seamlessly along with these kind of guidelines and sideboards in place so that there will be no surprises for the trustees, no major upsets for the beneficiaries, and people will just have clarity on how decisions are made, and the types of procedures there are for assessing things.

TRUSTEE MICHAEL states that right now our documents are exceptional, and we should not lose what we have.

MR. MENEFEE states that it does not obviate the Real Estate Management Plan, which still stands and is a valid document. This is an investment policy statement versus the other as a management plan of how to invest. He continues that this investment statement should not conflict at all with the REMP, which gives more detail on how the actual decisions are made on individual buildings and other things.

TRUSTEE MICHAEL states the need to be able to have that document available for people who are going to question whether or not the right kinds of investments are being made.

MR. ABBOTT states that there is no requirement that it just be real estate, and that is what staff has tried to build into this policy document. He continues that the one that is most important,

given this legislative conversation, is related to the investment of principal. He adds that the REMP is a public document, and is also on the Website.

MR. STEMPEL states that his intent is to complement the existing documents; not to supersede any of the other work that is already done. It is intended for someone that may be unfamiliar with the history. It is not a tactical document, but an overall statement, largely to give some comfort and emphasize the Trust's ability to discharge its duties.

CHAIR JONES states that he thinks of them as three documents: the one staff wrote, plus the existing two. It has to be clear on the surface within the first page of how they relate to each other.

MR. ABBOTT states that the working title is Principal Investment Policy, but that may not be the final title.

CHAIR JONES states that in saying "Principal Investment Policy," what is being said is this is how the principal is going to be managed. One of the things is potentially investing in real estate. It is going to discuss the Trust relationship with the Permanent Fund and program-related investments.

MR. ABBOTT states that the notion is that there will be four different directions that will be identified: One is assignment to the Permanent Fund for deposit into the Trust fund that is managed by the Permanent Fund and commingled with the rest of the Permanent Fund assets; another is program-related investments; then investing in the lands; and, lastly, is external investments, which is sort of labeled "Trust Real Estate Investments" right now. He continues that under each of those will be a description of how decisions will be made. It will describe how should a PRI decision be made; how a decision about whether to invest in land would be made; how decisions would be made on investing or deploying money to the Permanent Fund. That is what this document is supposed to do. He adds that it will reference that there is a REMP out there that needs to be consistent.

CHAIR JONES states that the agenda has been covered, and asks if anyone has any additional questions. He thanks Mr. Abbott and states appreciation for all the work done.

MR. ABBOTT states that there will be more information available to present at an appropriate meeting in one of the committee meetings next Thursday.

CHAIR JONES asks for a motion to adjourn.

TRUSTEE DERR makes a motion to adjourn the Ad Hoc Committee meeting.

TRUSTEE EASLEY seconds.

*There being no objection, the meeting is adjourned.*

(Trust Authority Legislative & Audit Ad Hoc Committee meeting adjourned at 1:55 p.m.)

Legislative & Audit Ad Hoc Committee Meeting  
February 22, 2018

**Motion:**

**Move that the Committee go into Executive Session to discuss the confidential exit conference items identified by the Legislative Budget & Audit Committee in accordance with the Open Meetings Act, AS 44.62.310(c).**