

ALASKA MENTAL HEALTH TRUST AUTHORITY

FULL BOARD MEETING

**August 29, 2019
8:30 a.m.**

**Taken at:
3745 Community Park Loop, Suite 120
Anchorage, Alaska**

Trustees Present:

Mary Jane Michael, Chair
Anita Halterman
Chris Cooke
Laraine Derr
John Sturgeon
Ken McCarty
Verne' Boerner

Trust Staff Present:

Mike Abbott
Katie Baldwin-Johnson
Mike Baldwin
Eric Boyer
Jimael Johnson
Steve Williams
Miri Smith-Coolidge
Andy Stemp
Luke Lind
Carrie Predeger
Valette Keller
Autumn Vea

Trust Land Office:

Wyn Menefee
Jusdi Doucet
Sarah Morrison
Becky Carpenter
Katie Vachris

Also participating:

Michelle Girault; Roy Scheller; Dan Gummo; Tom McRoberts; Lisa Cauble; Jillian Gellings;
Marcus Sanders; Angela Rodell.

PROCEEDINGS

CALL TO ORDER

CHAIR MICHAEL called the meeting to order and asked for any announcements. She introduced the first presenter, Angela Rodell, the chief executive officer from the Alaska Permanent Fund Corporation and thanked her for being present.

MS. RODELL began her presentation with the general market overview. She stated that there is a lot of volatility, and the threat of a bear market continues to come closer. That is identified in that the U.S. rates continue to fall with this fear of a global slowdown. There are continued concerns over mounting trade tensions, which will continue daily; depending on what China or the White House say has a big impact on the daily market. She moved on to private markets which continue to outperform the public markets, and they are actively moving away from the public markets. There is increasing competition for investments, which keeps valuations up, but also makes it harder to deploy capital into the private market assets. She added that a bit of credit quality is eroding, part of that is because there are certain investors trying to get out of private markets in an effort to increase their cash liquidity position because private markets tend to be illiquid asset allocations.

TRUSTEE COOKE stated that the Fund was putting more assets into private equity. He asked what was being reduced.

MS. RODELL replied the exposure to public equities has been reduced slowly over the last four years; down 1 percent per year. The fixed income is remaining very constant. She stated that there are more assets in fixed income relative to its allocation, which has to do with deploying money into real estate. The real estate allocation is under its target, and rates are at really low levels; so, that allocation stays in fixed income while waiting to find good real estate opportunities. She continued that Callan prepares a ten-year forecast. For fiscal year '10 to '19, Callan forecasted earning 8.05 percent over that period. The actual return was 9.3 percent. She added that the last ten years have been really good for the Fund and for the Mental Health Trust. She stated that they are invested in perpetuity, and the portfolio is created with that in mind. It is allocated for the longer-term results, and the decisions are executed to lever specific opportunities within the market. She explained Callan's forecast for the next ten-year period, and stated that it is a wide range of outcomes which is reflective of the volatility that happens in the stock market. She continued that the Permanent Fund set up its allocation structure with the thought of it being two buckets; a growth bucket and an income bucket. She talked about economic growth, and added that income is the steady cash-flow-yielding asset. She went over the different strategies, and talked about the income being divided into liquids and illiquids. The most common liquid income is the fixed income, and then cash. She then moved to the benchmarks. There are three different benchmarks: Passive benchmark, which is a short-term benchmark; second is a performance benchmark, which has a lengthy definition; and third is a historical long-term CPI plus 5 percent. This follows the idea that the Fund should grow in perpetuity at 5 percent, holding steady for inflation. She pointed out that the Total Fund did not beat either of the benchmarks for the quarter, other than its total return objective, which has been annualized. She continued with her report on the performance and the equities in the portfolio, and then moved to income. She stated that as of June 30, 2019, the value of the Fund was at \$66.8 billion. This was a new high at the end of a fiscal year. She noted that it was also after

transferring \$2.7 billion to the State of Alaska under the new SB 26 percent-of-market-value rules. She then went over the Mental Health Trust and explained that the value of the portfolio increased, and there is \$530 million, which is a nice increase from just five years ago of just over \$450 million. It is doing really well and will continue to have resources to draw on for the programs for the Authority. She continued and talked about the APFC staff, because it is important to have confidence in the work that is being done in Juneau on the Trust's behalf.

TRUSTEE DERR talked about the Sovereign Wealth Fund, which is composed of funds from all over the world. She stated that Ms. Rodell is chairman of that group, and is bringing the whole group in two weeks to a meeting in Juneau. She continued that people from all over the world are going to be in Alaska because she is chair of that organization. She added, that is pretty remarkable.

MS. RODELL stated that she is currently the deputy chair and will be promoted to the chair of the International Forum of Sovereign Wealth Funds. She explained that the international forum is the group that was created by the World Bank, the IMF, and the U.S. Treasury in 2007-2008 in response to concerns about the lack of transparency in global sovereign wealth funds, which were investing for noncommercial reasons. It is a group to promote transparency and good governance on sovereign wealth funds. There are over 30 countries that are members, and the group represents over \$10 trillion of investment capital worldwide. She then stated that they continue to update the Fund's website, and there is a lot of good information there. She asked for any questions.

MR. ABBOTT asked about the current status of the earnings reserve account; and how the new State policy to withdraw funds affects Permanent Fund investment choices.

MS. RODELL explained that an operating budget was approved in June that kept the doors open. That budget provided for \$4 billion. The earnings reserve account is now moving into the corpus. This is good for the Fund and is a healthy move. This move is timed to happen at the end of the fiscal year instead of the beginning of the fiscal year. It will be shown as reserved accounts, which cannot be appropriated. She stated that the second thing that the Legislature and the Governor did was a provision for \$980 million to move into the corpus in inflation-proofing for FY20. She added that the \$4 billion was a big move that got lost in all the noise about the dividend. She also talked about the mission of keeping this money invested for future generations of Alaskans, which is the daily focus.

MR. ABBOTT thanked Ms. Rodell and her team at the Fund for being a fantastic partner.

MS. RODELL appreciated the kind comments because the partnership is important, and we take the responsibility seriously, not only to the Mental Health Trust, but also to the partners around the world.

CHAIR MICHAEL thanked Ms. Rodell for a great presentation. She moved to the board elections.

BOARD ELECTIONS

CHAIR MICHAEL asked Trustee Derr to present the slate.

TRUSTEE DERR stated that she sent out notices asking for recommendations. She heard from all but one trustee. Her recommendation on the slate is chair, Mary Jane Michael; vice chair, Chris Cooke; and secretary, Ken McCarty.

MOTION: A motion to elect Mary Jane Michael as chair, Chris Cooke as vice chair, and Ken McCarty as secretary was made by TRUSTEE DERR; seconded by TRUSTEE HALTERMAN.

CHAIR MICHAEL asked for any further nominations from the floor three times, as instructed by Robert's Rules of Order.

There being no objections, the MOTION was approved.

TRUSTEE DERR stated that she asked people what committees they may be interested in, and pursuant to the bylaws, the chair appoints committee chairs. She recommended to the returning chair to appoint Trustee Boerner to the Program & Planning Committee; Trustee Sturgeon to the Resource Committee; Trustee Halterman to the Audit and Risk Committee, and herself to continue as Finance Chair.

CHAIR MICHAEL accepted those recommendations and appointed those chairs to those positions. She moved to the next item on the agenda, the FY21 budget deliberations, and recognized Mr. Williams.

FY21 BUDGET DELIBERATIONS

MR. WILLIAMS began with a look toward FY21 in terms of revenue projections.

TRUSTEE DERR looked at the payout estimates for FY20, the current year, \$508,000 has not been budgeted. She explained the process.

MR. ABBOTT stated that the recommendation is to leave \$3.5 million unobligated, which is larger than usual. Because the State program is unknown, the recommendation is that money would have the maximum impact on beneficiaries. He explained that the environment is changing more than has been typical in years past, which is neither good nor bad. He believed that it would be more impactful to leave roughly 10 percent of the program spending unallocated at this time to be allocated before the start of the fiscal year.

MOTION: A motion that the Full Board of Trustees appropriate \$29,268,100 of MHTAAR and MHT Administration and Authority Grants for FY 2021, consisting of \$16,228,200 of MHTAAR and MHT Admin and \$13,039,900 of Authority Grants. These funds are to be used for the programs and committees described in the detailed FY21 budget recommendations spreadsheet prepared for the August 28 and 29, 2019 Full Board of Trustees Meeting. I further move that the Full Board of Trustees recommend the appropriation of \$5,910,700 of GF/MH funds and \$8,200,000 of other funds for FY2021 was made by TRUSTEE DERR; seconded by TRUSTEE COOKE.

MR. WILLIAMS gave some background on how this budget developed as a reminder of what was discussed in greater detail. He stated that, by statute, the Trust does a two-year budgeting

cycle, and this is the second of a two-year budget. He went through the process that took place in this budget development.

CHAIR MICHAEL asked for any questions or discussion. There being none, she called the motion.

There being no objections, the MOTION was approved.

CHAIR MICHAEL thanked Mr. Williams, Mr. Stemp, and Mr. Abbott for the presentation and for all the great work. She called a break.

(Break.)

CHAIR MICHAEL called the meeting back to order and recognized Maria Bahr and Stuart Goering.

MS. BAHR stated that she is the ethics counsel for the Department of Law and works for the Attorney General. She introduced Stuart Goering. She began with a brief training on the Alaska Executive Branch Ethics Act, which has been around since 1986. It is a long document and she summarized the provisions that are most important to the Trust, some of which apply to people who are state employees who work here, and others apply specifically to members of the board. She continued that the Alaska Executive Branch Ethics Act applies to all public officers. That includes any public employee, any state employee under the Executive Branch, as well as members of the boards or commissions who are appointed by the Governor. She added that would be pretty much everyone here. The Act talks about financial interests and has definitions for all of these phrases. A benefit, as defined by the Ethics Act, is anything that is to your advantage or self-interest, and does not have to be a financial gain. It can be a privilege, patronage, some sort of advancement or advantage, anything this is considered a value but not monetary value. So, basically, if you like it, it is probably considered a benefit under this Act. Statutory definitions of family depend on the framework being looked at, and we have to think of the family tree as being fairly broad. It includes the spouse, conjugal partner, children, stepchildren, parents, siblings, aunts and uncles, grandparents and even in-laws. When the Act talks about taking official action on something, it means voting and also participating in a discussion and making recommendations on a particular subject. Partisan Political Activities are those activities that also are intended to benefit or harm a candidate, a potential candidate, a political party, or a group. She stated that she is the designated ethics supervisor for the Governor, Lieutenant Governor, and everyone in the Department of Law. Everyone here has a designated ethics supervisor depending on where you sit within the organization. She continued that the basic premise underlying the Ethics Act is to avoid a substantial and material conflict of interest. This Act applies only to those within the Executive Branch. She moved to some of the major provisions of the Executive Branch Ethics Act. She talked about the misuse of official position; AS 39.52.120. This was put together by the Legislature and is a laundry list of things that the people in the Executive Branch cannot do. The first thing is not to use the position as officers for the state executive branch for personal gain or to give an unwarranted benefit or treatment to another person. The position cannot be used to accept or solicit outside compensation; cannot use state resources to benefit a personal or financial interest. It is also considered to be insignificant if that interest is worth less than \$5,000, which could be considered an insignificant or conjectural interest.

MR. GOERING talked about the idea of ex-parte contacts. For instance, advocating on behalf of a particular position should be done in public where all parties have an opportunity to hear what is being said.

MS. BAHR moved to politics and stated that State funds, State equipment, or State facilities cannot be used for partisan political purposes. Now, the legislators can and are given different allowances. But as a trustee, you cannot use your state computer or state time to send campaign letters in support of some cause or candidate that is supported. Being political needs to be done on your own time. The State Personnel Act does allow that state employees have First Amendment rights to political activity and free speech, but they still have to comply with the Personnel Act in the sense that State employees may not display or distribute political materials while on State time; and if they do comment or participate in political activities, they cannot purport to speak or act in their official capacity. The general rule is to say no to politics in the workplace.

MR. GOERING wanted to make sure that the trustees were aware of social media because it is an increasingly important way of communicating with the public. The Trust Authority has a very active presence in both the traditional and social media and are aware of the fact that the State does have a social media policy. He stated that the social media policy primarily addresses the agency's use of social media; but has some valuable guidance on individual personal use of social media. The important thing to be aware of is the fact that policy is out there and actually encompasses a lot more than just ethics considerations. It also covers questions involving Constitutional Law, the Records Management Act, and the Public Records Act, because all of those are implicated by State use of social media.

MS. BAHR stated that there are some special considerations in the Ethics Act that are directed just to board members. The first is the board member's obligation for declaration of a potential violation and then improper representation. In the declaration, a member must disclose a conflict on the public record or in writing. It does not have to be in writing, as long as the meetings are recorded; and these meetings are. The Chair, as the designated ethics supervisor, determines whether your involvement in the matter would violate any provision of the Ethics Act and then, also on the record, the Chair's determination as to whether or not that conflict rises to the level that the board member be recused. She added that the Chair makes the determination first, and if everyone is content with that, it is fine. If someone raises an objection to the Chair's determination, that means the board will vote on it. She stated that eventually this will be reported to her as part of the quarterly report. On the subject of gifts, a gift cannot be accepted or solicited if it is intended to influence action or judgment in official duties. She moved to insider information and stated that in AS 39.52.140, a current or former public officer may not disclose or use information that was gained in the course of their official duties that could in any way result in a benefit to them or immediate family if that information was not publicly disseminated or is confidential by law. Information confidential by law includes health-care information, Social Security numbers, certain tax type information, for example. She continued that most of the provisions of the Ethics Act only apply while in State service, serving as a trustee or on a board, on a commission, while actually working for the State. However, the insider trading provision, the one about confidentiality, people can be violated for that even after leaving State service. That is when it becomes an issue. Penalties for violating the Ethics Act can be up to \$5,000 per violation.

CHAIR MICHAEL thanked both for a great presentation.

MR. GOERING stated that there is an extensive ethics page maintained on the Department of Law's website. It contains some questions, answers and some information, all the forms mentioned under law, resources, ethics.

CHAIR MICHAEL moved on to recognize a few people that are leaving. She recognized Denise Daniello and thanked her for all of her service. She wished her the best in her new adventure.

TRUSTEE BOERNER stated appreciation for all the work Ms. Daniello did, and also for the passion and all the skill and excellence brought to her position, and for the willingness to share information. She continued that UAF is fortunate and lucky to steal her away.

MR. WILLIAMS stated that Ms. Daniello is always with a smile, is always kind, and presents with the glass half full. She has not only benefited the Commission on Aging, but also benefited the beneficiaries who are seniors. She has been a pleasure to work with.

MR. ABBOTT stated that it has been great getting to know Ms. Daniello, and he cannot wait to read about the hibernation patterns of Arctic mammals.

MS. DANIELLO thanked all from the bottom of her heart and stated that it has been a personal pleasure working with all the trustees, staff and her partners in the room. She continued that it has been very fulfilling, meaningful work, and we have done some really great things. She leaves with a sad heart and will keep all up to speed about those hibernating animals.

CHAIR MICHAEL shared a gift and a card. The card was signed by a lot of people and the painting was done by a beneficiary.

MS. DANIELLO thanked all and stated that the painting will be in her new office.

CHAIR MICHAEL took an opportunity to recognize Andy Stemp. She stated that his approach to everything has been levelheaded, his insights were wonderful, and he captured the big picture, which was necessary. He will be missed and very hard to replace. He has made a huge impact in a very short period of time.

TRUSTEE COOKE echoed Chair Michael's sentiments and stated that it has been a pleasure working with him. He did a terrific job and will be missed.

TRUSTEE. BOERNER stated that coming to the Trust was a big step for her and Mr. Stemp's confirmations to helping us get through all of that was quite phenomenal. She continued that she holds him in high regard. One of the values the Inupiat Iitqusiat has is humility and responsibility to tribe. Those are two things that were felt in working with him. She thanked him and appreciated all the skills and intellect he brought to the Trust. She is glad to know that he will continue dedicating that to the Alaska Tribal Health System, which will benefit the beneficiaries of the Trust.

MR. WILLIAMS also stated appreciation for Andy's expertise. He appreciated working with Mr. Stemp, which also resonates from the staff, is the constant bringing the financials back to the beneficiaries. He thanked him and offered good luck.

TRUSTEE McCARTY stated that Mr. Stemp's words were so calm and meaningful and thanked him for making it very easy.

TRUSTEE DERR stated two thumbs up.

TRUSTEE STURGEON complimented Mr. Stemp on his patience and calm demeanor. He wished him luck, and stated that it was nice working with him.

MR. ABBOTT stated that he and Mr. Stemp started about the same time. Andy stepped in and with good support from the rest of the staff was immediately impactful on the organization both through his temperament and his immediate understanding of the finances and the status of both the resources and the obligations. He thanked him for all his work at the Trust.

MR. STEMP stated that he had first heard about the Trust years ago from a gentleman named John Malone. Mr. Malone had a constant drive for improvement, doing more for people, trying to serve and to build people up. He remembered having an interview and one of the conversation points that came out was that John was pretty reserved in his approach to things. But at one point he sent an e-mail with a compliment on something that I had done. I printed that off and saved it. He continued that Mr. Malone is now gone, but somehow feels that he was in a very select group in achieving a compliment from him. He extended his compliments and appreciation for allowing him to be a part of this and contributing to the overall success. He thanked all.

CHAIR MICHAEL thanked Mr. Stemp and asked the trustees for any final comments.

TRUSTEE McCARTY reiterated what Mr. Stemp said about an honor being here, thank you.

TRUSTEE BOERNER congratulated Trustee Halterman for her first trustee meeting. She also expressed her gratitude to the staff and the advisory boards. She stated that it is critically important in moving forward, through the challenging and uncertainties being faced to be able to stand together. She thanked the trustees for the inspirations and the learning.

TRUSTEE STURGEON thanked the board and staff for the patience with the questions. He appreciated the help in learning how the system and everything works.

TRUSTEE COOKE stated that this was one of the smoothest meetings that he has been in with the Trust. There was a wonderful balance between the various presentations. He appreciated Mr. Williams' emphasis on tying what was done at this meeting together with what was done at previous meetings. He talked about the conference coming up for people with developmental disabilities and finding employment opportunities for them. He hoped that the Trust can be a leader in finding ways to bring some of those beneficiaries into the fold, and be a leader in demonstrating how to help folks realize that potential for the employment area.

CHAIR MICHAEL thanked all for a great meeting. She appreciated the tour and thanked all for their work. She thanked the trustees for their willingness to serve as committee chairs and as officers. She appreciated everyone's offers to help with that. She entertained a motion to adjourn.

MOTION: A motion to adjourn the meeting was made by TRUSTEE DERR; seconded by TRUSTEE COOKE.

There being no objections, the MOTION was approved.

(Alaska Mental Health Trust Authority Full board meeting adjourned at 12:06 p.m.)