Trustees Present:
Laraine Derr, Chair
Chris Cooke
Mary Jane Michael
Paula Easley
Verne’ Boerner
John Sturgeon
Ken McCarty

Trust Staff Present:
Mike Abbott
Steve Williams
Miri Smith-Coolidge
Kelda Barstad
Andy Stemp
Luke Lind
Michael Baldwin
Carrie Predeger
Katie Baldwin-Johnson
Jimael Johnson
Valette Keller
Eric Boyer
Autumn Vea

Trust Land Office present:
Wyn Menefee
Jusdi Doucet
Sarah Morrison
Becky Carpenter
Katie Vachris

Also participating:
Anita Halterman; Dan Gummo; Mary Elizabeth Rider; Steve Center.
CALL TO ORDER
CHAIR DERR called the meeting to order and stated that all trustees were present. She asked for any announcements. There being none, she moved to the agenda.

APPROVAL OF AGENDA
MOTION: A motion to approve the agenda was made by TRUSTEE MICHAEL; seconded by TRUSTEE EASLEY.

There being no objection, the MOTION was approved.

ETHICS DISCLOSURES
There were no ethics disclosures.

APPROVAL OF MINUTES (April 17, 2019)
MOTION: A motion to approve the minutes of April 17, 2019 was made by TRUSTEE EASLEY; seconded by TRUSTEE MICHAEL

There being no objection, the MOTION was approved.

CASH MANAGEMENT REPORT
CHAIR DERR moved to the Cash Management Report, and recognized Andy Stemp.

MR. STEMP stated that the year-to-date projected activity through the end of the June 30 report is still subject to change. This information is based on the best information and understanding of what is still pending to be processed. He began with the administrative activities section which reflected the budget for the Trust Authority Office and the Trust Land Office. It is expected that the year will finish slightly below the budgeted expenses, which is a favorable outcome for the Trust operations. He stated that the Program Activities and the Authority Grants go out to serve beneficiaries, and are also expected to finish slightly below budget. The total results for the operations of the Trust are on track. He moved to the nonbudget areas that are called Special Projects, and stated that there are no items there to report at this time. He continued to the expenditures, and stated that the year-to-date income for the Trust is substantially ahead of the revenue targets, which are still subject to some change and adjustment. He added that it was a favorable year for the Trust. He moved to the investment activity and talked about the portfolio managed by the Permanent Fund. The unofficial results are that it was a very good year, and their revenue target has been exceeded. The Department of Revenue, which manages a portion of the Trust reserves, also had a very good year; beating the revenue targets by almost $800,000. So, the investment results for the year have been very favorable. He moved to the report of Trust resources, and noted that the highlighted item was for real estate investment. Every year there is a process with the Land Office to appraise the holdings; and for the holdings not appraised, a broker’s opinion of value is needed. The seven commercial properties that are investments will be assessed and have a value developed for use in financial reporting. He concluded by stating that the end-of-the-year financial report is here for Trust consideration.

MR. ABBOTT highlighted a couple of the points that enhanced the bottom line significantly. He stated that, on the revenue side, there will be challenges in coming years to try to maintain the
current revenue levels.

CHAIR DERR asked for any other questions in cash management. There being none, she moved to the operating budget items, and asked Mr. Menefee to begin with the TLO budget.

**TLO BUDGET**

**MOTION:** The Finance Committee recommends that the Alaska Mental Health Trust Authority Board of Trustees approve the Trust Land Office operating budget for FY21 in the amount of $4,425,600 was made by TRUSTEE STURGEON.

MR. MENEFEE stated that the Trust Land Office works with a zero-base budgeting, and a budget is created for what is needed to accomplish the tasks, to bring in the revenue forecasted. His presentation compared what is being proposed in fiscal year ’21 versus the trustee-approved fiscal year ’20 budget, and that which was modified by the Legislature. He noted that after the ’20 fiscal year budget was approved, the Governor, prior to submitting to the Legislature, reduced the Trust Land Office Budget by $34,700, related travel. That was approved by the Legislature. He continued that the proposal for fiscal year ’21 is a 2 percent reduction, primarily in the services line items. He went through the budget, explaining as he went along.

TRUSTEE COOKE asked if the $30,000 reduction in the travel budget will impact the TLO’s ability to do its job.

MR. MENEFEE replied that it would be best to keep that consistent and not raise it. The TLO will manage within that amount of money. He added that OMB is saying if travel is changed, that permission is needed to do that. He continued explaining, then strongly endorsed the TLO budget, and appreciated trustees' support.

CHAIR DERR called the motion.

There being no objection, the MOTION was approved.

**MENTAL HEALTH TRUST AUTHORITY OFFICE ADMIN BUDGET**

CHAIR DERR continued to the Mental Health Trust Authority Office Admin Budget.

**MOTION:** A motion that the Finance Committee recommends that the Full Board of Trustees approve the FY21 Trust Authority Office MHT Admin Budget of $4,215,136 was made by TRUSTEE DERR; seconded TRUSTEE BOERNER.

MR. STEMP stated that this requests a small increase over the previous level of approximately $80,000; just under 2 percent. The request was detailed, and there is some increase in labor costs and benefits for $30,516 anticipated. He continued that no new positions were requested, and it is a routine change in expenses based on personnel activities, seniority, merit, and others there. In anticipation of the questions on impacts on Trust operations, an effort to do more with technology is being made. There is more work done by phone, and we will continue to keep the option of rearranging the line items in the budget, if necessary. He went through the components that made up the requested $80,000.
CHAIR DERR asked for any questions, and then called the vote.

*There being no objection, the MOTION was approved.*

**REVENUE FORECAST**

MR. STEMP explained that there is a two-page document with the top being the expectations for FY20, and the second page being the expectations around FY21. The first portion is the expectations around the SLURP, with a FY20 disbursement of $23 million being projected. Based on the average, the disbursement is expected to go as the trend of values go out. The lapsed appropriations are averaged out and then forecasted that in FY20 just over $2.1 million will be available. He continued, stating that the proposed total spend with trustee approval will be just over $32.7 million for FY20, with an estimated end-of-the-year unobligated balance just over $500,000. That is the outlook for the coming year.

A question-and-answer discussion ensued.

MR. STEMP moved to FY21 and commented on some key ideas. He stated, as discussed, the base amount climbed to $32.2 million, and adding in the estimated unobligated money at the end of FY20 will bring that to $32.7 million. The proposed FY21 programmatic spending plan is just over $29.2 million. If all goes as planned, FY21 should end with an unobligated balance around $3.5 million. He strongly supported the proposed deployment of the current year unobligated money because he sees it flowing back in FY21, which allows replenishing.

MR. ABBOTT recommended that is too high of a balance to carry in light of the needs that may be faced in FY21. He stated that he will not be recommending increases in the Admin Budgets and will be recommending increases in the programmatic budgets.

CHAIR DERR called a lunch break.

(Lunch break.)

CHAIR DERR called the Finance Committee back to order. The next item on the agenda is Asset Management Policy Statement, AMPS, and the Resource Management Strategy, RMS, policy revisions. She welcomed a guest from Callan Associates.

MR. STEMP stated that the guest is Steve Center, and gave some background information. To be presented is a highly advanced draft which is open to input and suggestions. He thanked all the people that helped bring this forward. He turned the presentation over to Callan to guide the process.

MR. CENTER stated that the presentation is a combination of a discussion about some of the changes proposed for the AMPS document, and also a bit of education about what it means to be a fiduciary, and what an investment policy statement is, and why it is important to have one. He continued that the goal of a fiduciary is to act with care, skill and prudence, relating to how the assets are managed and how they will ultimately benefit the beneficiaries.

CHAIR DERR asked for a motion.
MOTION: A motion that the Finance Committee recommended that the Board of Trustees adopt the changes to the Asset Management Policy Statement, AMPS, as recommended by Callan, LLC, was made by TRUSTEE BOERNER; seconded by TRUSTEE COOKE.

MR. CENTER stated that the Legislative Audit Report raised some concerns about the AMPS: The need for an entity-side perspective that addresses all Trust assets; the need for guidance around the commercial real estate investment programs; and the use of the TLO as a real estate investment manager. No. 1 is a change that is related to the structure of AMPS, and Callan recommended adding a roles-and-responsibilities section to the front of the Asset Management Policy Statement. He continued that the goal is to make sure that the roles of each important party is clearly detailed within the Asset Management Policy Statement. Callan has recommended the addition of performance benchmarks for the underlying investments of the Trust. Also recommended is tracking the overall performance of the entire Trust on an ongoing basis. He explained that the last recommended addition for the AMPS has to do with investment management oversight. He continued that the recommendation is that the Finance Committee meet with the underlying investment managers at least annually. He also recommended meeting with the Trust Land Office on this point. Some minor things were: Adding language that requires the AMPS to be reviewed at least annually to keep it up to date; dealing with semantics related to the use of cash and noncash; it is a market-like investment not a low-risk, low-duration investment. He suggested changing those terms to liquid and nonliquid. He also recommended collecting an asset spending study to make sure the spending policy for the Trust is sound. He concluded his presentation and asked for any questions.

CHAIR DERR recognized Andy Stemp.

MR. STEMP moved to the clean version of the proposed revisions. This is not the final document. The final official version will be distributed at the upcoming meeting. He went through a memo that was drafted to go with the motion that summarizes the proposed changes. A statement that clearly defines responsibility for monitoring the overall financial condition of the Trust is needed. The proposal is to insert this language under the Finance Committee that clarifies that. He continued going through the revisions.

CHAIR DERR asked for the next step.

MR. STEMP replied that there is a motion introduced and seconded and asked to consider making the recommendations as recommended by Callan with the understanding that a final pass through this document would be made for any administrative edits and responding to the question about the charter and making sure that it is known how this works; then it will be brought forward for potential adoption.

CHAIR DERR asked for any additional questions, and called the motion.

There being no objection, the MOTION was approved.

CHAIR DERR added that it will be revisited.
MR. ABBOTT thanks the trustees for the attention to this, which is the second time it has been brought forward. He stated that there will be one more time to go through it. He stated his appreciation for Steve Center’s and Callan’s contributions, as well as Andy Stemp’s work on this.

CHAIR DERR thanked all for their work, and asked for anything more to come before the Finance Committee.

*There being none, the Finance Committee meeting was adjourned.*

(Finance Committee adjourned at 1:40 p.m.)