CALL TO ORDER
CHAIR MICHAEL called the meeting to order and clarified that she will chair the meeting since Lorraine Derr is on Speakerphone. She asked for a roll call and stated that all the trustees were present except for Trustee Sturgeon. 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 DERR; seconded by TRUSTEE COOKE.

There being no objection, the MOTION was approved.

ETHICS DISCLOSURES
There were no ethics disclosures.

APPROVAL OF MINUTES (August 1, 2019)

MOTION: A motion to approve the minutes of August 1, 2019, was made by TRUSTEE DERR; seconded by TRUSTEE COOKE.

There being no objection, the MOTION was approved.

CHAIR MICHAEL moved to the presentation on the financial dashboard.

FINANCIAL DASHBOARD
MS. MORRISON began her presentation explaining the operating budget for both the Trust Authority and the Trust Land Office. She continued through the different sections, explained and answered questions as she went along.

FY20 AND FY21 REVENUE UPDATE
MR. ABBOTT stated that most of the revenue calculations are based on four-year averages from different revenue streams. He explained that FY19 is fully closed and will further perfect the FY19 estimates worked on this past August. He continued that Ms. Morrison will go through the good data with the FY20 revenue estimates.

CHAIR MICHAEL asked, for the new trustees’ benefit, why this averaging of four years is done.

MS. MORRISON replied that it is stipulated in the Asset Management Policy Statement to calculate the payout using a four-year moving average. She stated that doing that keeps the payout consistent over time so no huge swings in cash available are experienced. She added, that protects the budgets from what is happening in the market, and has allowed consistency over time. She began with the net asset values which are inclusive of the corpus of the Permanent Fund, the budget reserves of the Permanent Fund, and the reserves at the Department of Revenue. That value is averaged over time, and then 4.25 percent is calculated to get the $23.1 million payout for 2020. She continued that funds that were obligated in previous years, including lapses from MHTAAR, Authority Grants, and operating budgets totaled $2.6 million for FY19. That is fairly consistent over time. She then included TLO spendable income, making $504,000 that has not yet been obligated from the FY20 budget. She added that this leaves a little flexibility for obligating funds starting the fiscal year for unanticipated expenses.

MR. ABBOTT stated that the bottom-line number is that with six months left in the fiscal year, there is roughly $500,000 of unobligated FY20 revenue that could be deployed. He added that this is the remainder of the money available to address any special needs that may arise. He
continued that any further deployment or obligation from FY20 is not recommended at this time.
The recommendation will be to move some FY20 money around inside the existing approved
budgets, which will be discussed in the Program Committee.

APPROVALS
MR. ABBOTT stated that this is the annual conversation to move money from the investments
into the checking account. That is an active step that the trustees take annually. He added that
Ms. Morrison will walk through the calculations.

MOTION:  A motion that the Finance Committee recommends that the Full Board of
Trustees authorize the transfer of $23,056,600 from the Alaska Permanent Fund Budget
Reserve accounts to the Mental Health Settlement Income Account to finance the
FY2020 base disbursement payout calculation. The CFO may fulfill this motion with one
lump sum or multiple transfers was made by TRUSTEE COOKE; seconded by
TRUSTEE HALTERMAN.

MS. MORRISON reiterated that this is standard operating procedure and the Board takes this
step every year to get money out of the reserves and into the operating account. The Asset
Management Policy Statement provides for this annual payout of 4.25 percent of the average net
asset value across the Permanent Fund reserves, and the reserves held at the Department of
Revenue.

CHAIR MICHAEL asked for any further discussion. There being none, she called a roll-call
vote.

    Trustee Derr, yes; Trustee Boerner, yes; Trustee Cooke, yes; Trustee Halterman, yes;
    Trustee McCarty, yes; Trustee Sturgeon, absent; Trustee Michael, yes.

The MOTION was approved.

TRUSTEE COOKE moved to the TADA account motions, and asked if they were to be together
or separately.

MR. ABBOTT recommended moving them individually.

MOTION:  A motion that the Finance Committee recommends the Full Board of
Trustees approve setting a target level for Trust Authority Development Account funds at
$2.4 million was made by TRUSTEE COOKE; seconded by TRUSTEE DERR.

MR. ABBOTT stated that this also is the annual step taken to move funds that have accumulated
since a year ago in the TADA account. He added that these are the receipts from Trust Land
Office activity that are considered principal.

MS. MORRISON stated that, as of November 30, 2019, this account held $11.4 million. It is
expected to accumulate an additional $2.5 million during the remainder of 2020. She explained
the estimation on what will be needed for the existing commitments, and added that there is a
need to have enough funds in the TADA account to be able to meet those obligations.

CHAIR MICHAEL asked for any further discussion. There being none, she called a roll-call
vote.

Trustee Derr, yes; Trustee Boerner, yes; Trustee Cooke, yes; Trustee Halterman, yes; Trustee McCarty, yes; Trustee Sturgeon, absent; Trustee Michael, yes.
The MOTION was approved.

TRUSTEE COOKE stated that there is a second motion.

MOTION: A motion that the Finance Committee recommends the Full Board of Trustees authorize the Chief Financial Officer to transfer the TADA funds that exceed the target level to the Permanent Fund for investment, transferring it to the Mental Health Trust Fund was made by TRUSTEE COOKE; seconded by TRUSTEE HALTERMAN.

TRUSTEE COOKE changed it from the Permanent Fund for investment to the Mental Health Trust Fund; TRUSTEE HALTERMAN seconded it with the change.

CHAIR MICHAEL called a roll-call vote.

Trustee Derr, yes; Trustee Boerner, yes; Trustee Cooke, yes; Trustee Halterman, yes; Trustee McCarty, yes; Trustee Sturgeon, absent; Trustee Michael, yes.
The MOTION was approved.

CHAIR MICHAEL stated that the next item is AS 37.14.041 (b) compliance, and asked Trustee Cooke to read the motion.

MOTION: A motion that the Finance Committee recommends that the Full Board of Trustees determine that no Trust funds exist above the current and projected needs of the beneficiaries of the Alaska Mental Health Trust was made by TRUSTEE COOKE; seconded by TRUSTEE BOERNER.

MR. ABBOTT stated that this is not a motion that has been done in the past. There is a section of the Mental Health Trust statutes and section of the settlement that essentially requires the Trust to transfer to the General Fund any assets from the settlement income account that are not necessary for the Trust to meet the needs of its beneficiaries. This could be described as a safety valve to prevent the Trust from growing to such a degree that it had more money than it needed in order to serve the beneficiaries and its purpose. He explained that the language has been around since 1994, since the organic act. This has never been addressed directly, and it is recommended to do it on an annual basis, to evaluate the assets of the Trust, evaluate the needs of beneficiaries, and make a positive affirmation that there are no excess or surplus Trust assets that could be transferred to the General Fund.

TRUSTEE DERR stated that the Housing Finance Corp. and AIDEA are both public corporations in the state and occasionally give money to the General Fund. She asked why this would be different than that.

MR. ABBOTT replied that the AIDEA and AHFC have specific statutory obligations to pay dividends. He stated that they were set up, initially with State capital, and then authorized to conduct their operations in such a way that they funded their own operations, as well as paid the
State a dividend. They are managed with that expectation in mind. He continued that the Trust does not have that obligation to pay a dividend. The concept of a dividend or a return to the State is nowhere described in the Trust and would have been anathema to the Plaintiffs that challenged historic State management of its Trust responsibilities. The assertion then was that all Trust assets were to be used for Trust beneficiaries.

TRUSTEE COOKE stated concern about the motion. The language seems a little loose. The statute that is quoted talks only about the Mental Health Trust Settlement Income Account, but the motion states no Trust funds exist above current projected needs.

MR. ABBOTT stated that staff would not object to changing the language in the motion to match the language in the statute and changing “Trust funds” to “Mental Health Trust Settlement Income Account.”

TRUSTEE COOKE suggested an amendment of the motion. The amendment would track the statutory language and reads as follows:

MOTION: The Finance Committee recommends that the Full Board of Trustees determine that there is no money in the Mental Health Trust Settlement Income Account not needed to meet the necessary expenses of the State’s Integrated Comprehensive Mental Health Program motion was made by TRUSTEE COOKE; seconded by TRUSTEE DERR.

MR. ABBOTT stated there was no objection to the adjustment in the motion and would seek guidance either from the Department of Law or potentially, outside counsel on this topic.

TRUSTEE DERR stated that this motion just takes the issue to the Full Board and does not do anything to jeopardize anything.

CHAIR MICHAEL clarified that there is an amended motion on the table, and we have a second to that motion. She asked for any further discussion.

TRUSTEE HALTERMAN asked if this is making recommendations to review this issue at the Full Board.

CHAIR MICHAEL replied yes.

CHAIR MICHAEL called a roll-call vote.

Trustee Derr, yes; Trustee Boerner, yes; Trustee Cooke, yes; Trustee Halterman, yes; Trustee McCarty, yes; Trustee Sturgeon, absent; Trustee Michael, yes.

The MOTION was approved.

MR. ABBOTT thanked all and added that this would be added on the Board agenda for a good, solid discussion.

MR. MENEFEE stated that the vote was made for amending the motion, but the original motion
was not passed.

CHAIR MICHAEL called a roll-call vote on the original motion, as amended.

*Trustee Derr, yes; Trustee Boerner, yes; Trustee Cooke, yes; Trustee Halterman, yes; Trustee McCarty, yes; Trustee Sturgeon, absent; Trustee Michael, yes.*

*The MOTION was approved.*

CHAIR MICHAEL called a break.

(Break.)

CHAIR MICHAEL called the meeting back to order, and recognized Mr. Abbott.

MR. ABBOTT stated that this item does not have a motion associated with it and is designed to start the conversation. He continued that an inflation-proofing conversation has not been had for a couple of years. It was talked about when discussing the Asset Management Policy a while ago. There is an expectation that when the reserves exceed the reserve target, the trustees should contemplate inflation-proofing the Mental Health Trust Fund. He added that, in looking at the dashboard this morning, currently we are approximately $20 million over the current reserve target. It is far enough over to where it is appropriate to think about. He stated that the recommendation is for a time line on this and to start the conversation, and then the recommendation would be that at the next Finance Committee meeting, currently planned for April, calculations of what the inflation-proofing requirement could be and different ways to fund some or all be discussed.

MS. MORRISON gave a brief rundown of the information in the memo to set up the next conversation where some options will be brought forward for consideration.

CHAIR MICHAEL asked for anything else to come before the Finance Committee. There being none, she asked for a motion for adjournment.

*MOTION: A motion for adjournment was made by TRUSTEE HALTERMAN; seconded by TRUSTEE COOKE.*

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

(Finance Committee adjourned at 11:23 a.m.)