

## MEETING AGENDA

**Meeting:** Finance Committee  
**Date:** October 20, 2023  
**Time:** 8:30 AM  
**Location:** Trust Authority Building, 3745 Community Park Loop, Anchorage  
**Teleconference:** (844) 740-1264 / Meeting Number: 2630 544 4892 # / Attendee Number: #  
<https://alaskamentalhealthtrust.org/>  
**Trustees:** John Morris (Chair), Rhonda Boyles, Kevin Fimon, Brent Fisher, Anita Halterman, Agnes Moran, John Sturgeon

### Friday, October 20, 2023

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<b>8:30</b>	<b><u>Call Meeting to Order (John Morris, Chair)</u></b> Roll Call / Announcements Approve Agenda / Ethics Disclosure Approve Minutes	
	• June 22, 2023	4
	• July 25, 2023	11
<b>8:35</b>	<b><u>Staff Report Items</u></b> CEO Report	
	FY23 Trust Performance Review	hand-out
	• Julee Farley, CFO	
	Financial Dashboard & Forecasts	hand-out
	• Julee Farley, CFO	
<b>9:35</b>	<b><u>Dept of Revenue / Treasury Update</u></b>	17
	• Shane Carson, State Investment Officer, Department of Revenue	
<b>10:20</b>	<b>Break</b>	
<b>10:35</b>	<b><u>Statutory Advisor Update</u></b>	38
	• Deven Mitchell, Executive Director	
<b>11:30</b>	<b><u>Approval</u></b> FY24 Payout	51
<b>12:00</b>	<b>Adjourn</b>	



## Future Meeting Dates Statutory Advisory Boards (Updated – September 2023)

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### **Alaska Commission on Aging**

ACOA: <http://dhss.alaska.gov/acoa/Pages/default.aspx>

Executive Director: Jon Haghayeghi, (907) 465-4879, [jon.haghayeghi@alaska.gov](mailto:jon.haghayeghi@alaska.gov)

- Quarterly Meeting: TBD

### **Alaska Mental Health Board / Advisory Board on Alcoholism and Drug Abuse**

AMHB: <http://dhss.alaska.gov/amhb/Pages/default.aspx>

ABADA: <http://dhss.alaska.gov/abada/Pages/default.aspx>

Acting Executive Director: Stephanie Hopkins, (907) 465-4667, [stephanie.hopkins@alaska.gov](mailto:stephanie.hopkins@alaska.gov)

- Quarterly Meeting: TBD
- Statewide Suicide Prevention Council: October 26-27, 2023 / Anchorage

### **Governor's Council on Disabilities and Special Education**

GCDSE: <http://dhss.alaska.gov/gcdse/Pages/default.aspx>

Executive Director: Patrick Reinhart, (907)269-8990, [patrick.reinhart@alaska.gov](mailto:patrick.reinhart@alaska.gov)

- Quarterly Meeting: February 13-15, 2024 / Juneau

**ALASKA MENTAL HEALTH TRUST AUTHORITY**

**FINANCE COMMITTEE MEETING**

**June 22, 2023**

**1:30 p.m.**

**Hybrid Meeting**

**Originating at:**

**Alaska Mental Health Trust Authority  
3745 Community Park Loop, Suite 200  
Anchorage, Alaska 99508**

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**Trustees Present:**

Brent Fisher, Chair  
Anita Halterman  
Kevin Fimon  
Agnes Moran  
John Sturgeon  
John Morris  
Rhonda Boyles

**Trust Staff Present:**

Steve Williams  
Katie Baldwin-Johnson  
Kat Roch  
Miri Smith-Coolidge  
Michael Baldwin  
Eric Boyer  
Allison Biastock  
Kelda Barstad  
Carrie Predeger  
Autumn Vea

**Trust Land Office staff present:**

Jusdi Warner  
Blain Alfonso

**Also participating:**

Rep. Julie Coulombe; Steph Hopkins; John Springsteen; Barbara Haney; Diane Fielden; Justin Ruffridge.

## PROCEEDINGS

### CALL TO ORDER

CHAIR FISHER called the Finance Committee meeting to order. He began with a roll call, and asked for any announcements. There being none, he moved to the approval the agenda.

### APPROVAL OF AGENDA

**MOTION:** A motion to approve the agenda was made by TRUSTEE HALTERMAN; seconded by TRUSTEE STURGEON.

*After the roll-call vote, the MOTION was APPROVED. (Trustee Boyles, yes; Trustee Moran, yes; Trustee Fimon, yes; Trustee Halterman, yes; Trustee Sturgeon, yes; Trustee Morris, yes.)*

### ETHICS DISCLOSURES

CHAIR FISHER asked for any ethics disclosures. There being none, he moved to the presentation.

### FY24 AVAILABLE FUNDING

CEO WILLIAMS thanked the trustees for making time to have this Finance Committee Meeting to talk about the FY24 budget which will begin July 1. He stated that they wanted to insure that the FY24 budget met the approved plan for beneficiary programmatic funded activities, as well as activities for the Trust Land Office. He continued they also wanted to insure that funding was available to make any necessary transfers into the Central Facilities Fund, as well as having a pot of unobligated funds in the budget that were not approved or allocated to anything specifically, but were there to access, with trustee approval, unmet needs that get identified either by the TAO staff or the TLO staff. He stated that the driver behind the recommendation being considered goes back to looking at transfers of Trust Land Office spendable income that was generated from the commercial real estate assets. There were transfers in 2019 and 2021 that were made to the Central Facilities Fund, and an adjustment was not made to the gross income for those years generated by the spendable income generated by the Land Office. This caused the spending of the gross amount of the spendable income and not the net amount. The adjustment made was about \$1.1 million to the revenue projection, which caused a ripple effect on the FY24 and the FY25 budgets. He added that the positive is that the gross revenue was invested in programmatic services for beneficiaries. The downside is the potential negative impact. The Trust does have the means to make an adjustment and absorb the change or the unforeseen need based on trustee approval to be able to move forward. He stated that the funding to make this adjustment was available without any implications or negative impacts, which is a positive in terms of the Trust and where it stands from a financial perspective. One of the causes was staff looking at how the estimated revenue projections would work for future fiscal years. This is done every July. Then those budget recommendations are forwarded to the Full Board in August for final approval.

CHAIR FISHER entertained a motion.

**MOTION:** The Finance Committee recommends the Board of Trustees authorize the transfer of \$2,020,852 in unspent Fiscal Year '21 Authority Grant Funds into unobligated funds for Fiscal Year '24. The motion was made by TRUSTEE HALTERMAN; seconded by TRUSTEE STURGEON.

CHAIR FISHER moved to the presentation.

CEO WILLIAMS went through some of the terms being used within the TLO and the TAO so that all would have the same basic understanding of what is meant by unspent Authority Grant funds, which is the focus of the motion. He also talked about lapsed funds, unobligated Trust Funds, and Trust Budget Reserves as an available option for the trustees' consideration.

MS. WARNER reiterated that the transfer to the CFF in 2019 was for \$1.039 million; the transfer in 2021 was \$1.05 million. It was counted twice in two different buckets, and that money had been allocated.

CEO WILLIAMS turned the meeting over Acting CFO Kat Roch.

MS. ROCH gave an overview of how the available funds were calculated and then moved into the actual revenue calculations with the actual numbers. She continued that the reason for the meeting was that the oversight was brought to staff attention; and since the '24 budget had been approved, they had the need to figure out how to correct the oversight, and also fund the '24 budget. After the corrections were made, it was found that '24 was underfunded by about \$256,000. Staff considered different options of where to get the money and decided that using the unspent funds from the FY21 Authority Grants was the best way to make up the shortfall, and also provided an amount of unobligated for any projects that may come up during the year. She explained that the \$2 million unspent Authority Grants was the result of a change to the policy of how those were spent. Anything not spent in the current fiscal year sits and waits to go through the next three years and then lapses. The plan was to take this money and deploy it faster to make better use of it now rather than waiting.

TRUSTEE HALTERMAN asked if there was, financially, a greater amount of unspent Authority Grants in Fiscal Year '21 than historically.

MS. ROCH replied that it fluctuated, but it was not generally that high.

TRUSTEE HALTERMAN asked what prompted such a large amount of unspent Authority Grants.

MS. ROCH replied that, for '21, there were a few factors, and that COVID did play a role. FY21 began July 1, 2020, and some projects did not launch. There were a lot of factors, and money could not get out as fast as had been initially planned.

CHAIR FISHER asked why the money waited for an additional three years to go through the cycle.

MS. ROCH replied that the Authority Grants were set up to have four years, due to projects that

take longer than a year. She believed that, as a State, they operate on a different fiscal year than a lot of nonprofits that were granted the money. That policy was to give more time for the project to take place, for the money to get deployed. She stated that it sits there for the three years because of the policy change of only spending from the current fiscal year. She added that unless the policy of Authority Grants being valid for four years was to be changed, the money would have to sit there for three additional years.

CHAIR FISHER summarized that the grant was given not based upon being spent in a single fiscal year; it was based on the project length of time, which could potentially go on for four years. Then, at the end of that time, if it still was not spent, it would return.

TRUSTEE BOYLES asked if the policy was dictated by the State or by the Board. When the word “policy” is used, is the Board legally obligated to hold those funds for four years.

CEO WILLIAMS replied that it was an internal Trust policy, and not an overarching State of Alaska policy. He described it more of a practice than a policy. He stated that it gives the flexibility for insuring that the grant, as approved, would get carried out.

TRUSTEE HALTERMAN stated that if there was a policy being followed and it was not documented, she encouraged that it be put in writing. This may be a good opportunity for the trustees to weigh in and set a different path because it was unfortunate to be sitting on this kind of money for that long of a period before being able to deploy it, especially after an emergency. She continued that it ought to be documented, or to document a process for the future.

CEO WILLIAMS replied that this was one of those areas to look at to either affirm that it was a good recommendation from the staff perspective, or if there is any identified way to change and improve and bring that forward.

TRUSTEE MORRIS asked for clarification on the possibility of a liability if the grant had not been executed; would they need that money.

MS. ROCH explained that when the funds were granted out, the money was set aside and no longer showed as an available balance. She stated that those funds had not been set aside or designated for any grant. So, if anything is still out there, that money was already set aside.

TRUSTEE MORRIS asked about the difference in numbers in the lapsed appropriations and the PowerPoint.

MS. ROCH walked through how those amounts were calculated.

TRUSTEE FIMON stated that part of the reason in looking at making these adjustments was because of the way the budget was proposed out.

A discussion and explanation of the funds continued.

MS. ROCH stated that the recommendation was to transfer the FY21 unspent Authority Grant

funds into the FY24 unobligated funds. This would balance the FY24 budget and have an unobligated pot of money so that if anything were to come up, there would be money to respond to the need. She added that it would also bring those funds into service sooner and have a limited impact on future budgets by removing those funds from the future four-year average.

TRUSTEE MORAN stated concern on making decisions that could potentially have a long-term consequence because it was being done on such short notice.

CEO WILLIAMS explained that this was not about a policy change, and there would be no policy change today. He stated that this was a request to use funds sooner rather than later. He continued that it was a one-time change that would affect the way the funds would be deployed, whether waiting for them at the end of FY24 or putting them into action now. He added that there was no adverse impact by taking this action, not only on projects or activities, but no projected impact on the future needs of beneficiaries, as well.

TRUSTEE HALTERMAN wanted to make sure that the process was documented so that it is historically preserved. It needs to be memorialized into the written policy.

TRUSTEE BOYLES stated that she heard Ms. Warner talk about a double entry and asked if this originally was an accounting error that caused the problem. She continued that if this was an accounting error, then we are moving the money that cannot be found right now without having negative impacts, and we are correcting a double entry of a million dollars.

MS. WARNER replied that was correct.

TRUSTEE STURGEON stated that there was an audit done every year by BDO and asked if they should have caught the error.

MS. ROCH stated that the annual audit was just a financial audit, and they look at the financial statements. She explained that the way the Central Facilities Fund was set up was that money was transferred into it, and when that transfer was made, the income was reduced. During the financial audit, the auditors would only find what was actually expended and would agree with the income numbers because the money that transferred had not yet been expended. She continued that the type of audit that would have found this would be more along the lines of a Legislative Audit of digging into policies and more of the meat of how the Trust operated, as opposed to the annual audit.

TRUSTEE STURGEON asked if the Legislative Audit would have picked this up.

MS. ROCH replied that she did not believe they would have. They were looking at other specific issues, but that was the type of audit that would have picked this up.

The discussion continued.

TRUSTEE FIMON stated that, as the current Chair of the Audit & Risk Committee, he would look into that.



MS. ROCH moved to the spreadsheet that showed the revenue calculations and walked through those numbers.

CEO WILLIAMS clarified that they were looking at the calculations under the assumption titled: “Calculation with Authority Grant Adjustment.” This is what the trustees would act on and approve, the recommendation that was before them.

MS. ROCH moved to the middle section, the FY24 revenue estimate. At the top was the four-year averaging and how they got the estimated total available funding. She stated that the methodology was the same as it was in '23.

MS. WARNER explained that this fund supported the program-related investments and the seven properties for the commercial real estate portfolio, and was revolving. She stated that there were new leases, new tenant improvements, leasing commissions, new roofs that come out of that fund. Capital expenditure projects could also come out of that fund.

TRUSTEE MORRIS asked for a copy of the internal rate of return on all the commercial properties. There seemed to be quite a bit of ongoing expense that was in excess of what was being paid for by the rents. He added that he would like to know that these properties were profitable, in excess of what the return would be if the assets were being managed by the Permanent Fund.

TRUSTEE STURGEON assumed that the calculation also included the increased value of the properties which were also a part of the profit, including the equity of those buildings.

MS. WARNER stated that they have all of the information. We do monthly and quarterly reports, and we will send them out.

MS. ROCH moved to the final year of the three-year spreadsheet, the FY24 with the same four-year averaging. She went through the estimates and the numbers.

CHAIR FISHER asked for any questions or comments before moving to the question. He stated that the motion had been read, and took the roll-call vote.

*After the roll-call vote, the MOTION was APPROVED. (Trustee Boyles, yes; Trustee Moran, yes; Trustee Halterman, yes; Trustee Fimon, yes; Trustee Morris, yes; Trustee Sturgeon, yes; Chair Fisher, yes.)*

CEO WILLIAMS thanked the committee and the trustees for the questions and the dialogue. He stated appreciation for the support with the approval for recommendation to the Full Board. He explained that the reason this was done was that it was a committee action that was a recommendation to the Full Board.

CHAIR FISHER asked for a motion to adjourn.

**MOTION: A motion to adjourn the Finance Committee meeting was made by TRUSTEE HALTERMAN; seconded by TRUSTEE FIMON.**

*After the roll-call vote, the MOTION was APPROVED. (Trustee Boyles, yes; Trustee Fimon, yes; Trustee Moran, yes; Trustee Morris, yes; Trustee Sturgeon, yes, Chair Fisher, yes.)*

CHAIR FISHER adjourned the meeting.

(Finance Committee meeting adjourned at 2:32 p.m.)

**ALASKA MENTAL HEALTH TRUST AUTHORITY**

**FINANCE COMMITTEE MEETING**

**July 25, 2023**

**3:00 p.m.**

**Hybrid Meeting**

**Originating at:**

**Alaska Mental Health Trust Authority  
3745 Community Park Loop, Suite 200  
Anchorage, Alaska 99508**

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**Trustees Present:**

Brent Fisher, Chair  
Anita Halterman  
Kevin Fimon  
Agnes Moran  
John Sturgeon  
John Morris  
Rhonda Boyles

**Trust Staff Present:**

Steve Williams  
Katie Baldwin-Johnson  
Miri Smith-Coolidge  
Michael Baldwin  
Eric Boyer  
Allison Biastock  
Kat Roch  
Kelda Barstad  
Carrie Predeger  
Autumn Vea  
Debbie DeLong  
Valette Keller  
Travis Welch  
Luke Lind  
Jimael Johnson  
Janie Ferguson

**Trust Land Office staff present:**

Jusdi Warner  
Blain Alfonso  
Marisol Miller  
Sarah Morrison  
Katie Vachris

**Also participating:**

Pam Cawley; John Springsteen.

## PROCEEDINGS

### CALL TO ORDER

CHAIR FISHER stated that the Finance Committee meeting was in session, and called a roll. He noted that John Sturgeon was excused. He asked for any announcements. There being none, he moved to the approval of the agenda.

### APPROVAL OF AGENDA

**MOTION:** A motion to approve the agenda was made by TRUSTEE HALTERMAN; seconded by TRUSTEE FIMON.

*After the roll-vote, the MOTION was APPROVED. (Trustee Boyles, yes; Trustee Fimon, yes; Trustee Halterman, yes; Trustee Moran, yes; Trustee Morris, yes; Chair Fisher, yes.)*

CHAIR FISHER asked for any ethics disclosures. There being none, he moved to the minutes from April 19, 2023.

### APPROVAL OF MINUTES

**MOTION:** A motion to approve the meeting minutes from April 19, 2023, for the Finance Committee was made by TRUSTEE HALTERMAN; seconded by TRUSTEE FIMON.

*After the roll-vote, the MOTION was APPROVED. (Trustee Boyles, yes; Trustee Fimon, yes; Trustee Halterman, yes; Trustee Moran, yes; Trustee Morris, yes; Chair Fisher, yes.)*

### STAFF REPORTS

#### FINANCIAL DASHBOARD

CHAIR FISHER moved to staff reports and began with the financial dashboard. He asked Kat Roch, acting CFO, to begin.

MS. ROCH began with a walk through the financial dashboard. She noted that the expenditures related to operations were reflective of the agency budgets for both the Trust Authority Office and the Trust Land Office. She explained that the numbers were from May, and that the June numbers were starting to come in. She went through the numbers which would change slightly as FY23 closed out. Reappropriation would go through the end of August and then final numbers would come in. She moved to program activities and then talked about Authority Grants and then Capital Projects.

TRUSTEE FIMON asked about the definition of true-up.

MS. ROCH replied that most state agencies have their main operating budget, and a lot of them would spend out of that and then move money from other funding sources. That would be the true-up happening. The specific project that it was set aside for was for a beneficiary organization.

MS. BALDWIN-JOHNSON stated that the funds were approved by trustees in November 2018

for a specific purpose of working with a beneficiary organization to try to find a facility solution for them because the facility they were in is not in the best shape, or for the purpose of crisis stabilization. That approval happened when Mike Abbott was here, and we were just starting the discussion around Crisis Now. Trustees approved that then.

CEO WILLIAMS added that this was similar to the conversation related to Icy Cape and the actions taken in terms of the cost recovery and approving the funds for those two projects. Those funds are in the budget reserves and can only be drawn down with trustee approval. He continued that to draw down those funds, staff would come back to trustees with the specified purpose for consideration and approval.

TRUSTEE MORAN asked why those funds do not expire like the unexpired grant funds do.

CEO WILLIAMS explained that the grant funds were funds that had been approved either at the CEO committee or board level for a specific purpose. There was a grant term, and those were just a set-aside. The trustees made a decision to approve \$3.655 million with a broad intent. It is sitting in the budget reserves, unallocated, undesignated, but set aside for a particular purpose or intent that was set by the trustees back in 2018.

A brief discussion and explanation ensued.

MS. ROCH moved to the Trust Receipts section. The first part was income from the Trust Land Office, and the numbers did not include the commercial real estate. She continued through her report and the financials, explaining and going through the numbers and then the reserves. She wrapped up the dashboard.

### **FORECASTS – FY24 REVENUE AND FY25 PROJECTION**

MS. ROCH moved to the revenue estimates for FY24 and FY25 and began with a brief walk-through of how the available revenue was calculated for the budgets. She explained that the net asset value of the most recent four fiscal years is evaluated, and then 4.25 percent is drawn. That is called the payout. The lapsed appropriations is where all of the money that was approved in prior budgets but was not spent went back in. She went through the TLO spendable income and moved to the miscellaneous revenue, which was usually the unexpended grant funds that were sent out to non-state agencies that were returned after the project was completed. She added that this was usually a relatively small amount. A four-year average with those funds were not taken. She wrapped up the FY24 and '25 revenue forecasts.

### **ASSET MANAGEMENT POLICY STATEMENT**

CHAIR FISHER moved to the Asset Management Policy Statement, and asked for a motion.

**MOTION: The Finance Committee recommends that the Board of Trustees adopt the Asset Management Policy Statement (AMPS) changes as indicated in the attached redline version. The motion was made by TRUSTEE BOYLES; seconded by TRUSTEE HALTERMAN.**

MS. ROCH stated that the updated Asset Management Policy Statement, or AMPS, had been updated with some minor edits due to some recent changes that had occurred. She walked through where all of the changes were. First was removing references to the independent real

estate adviser; next was a revision to statutory references which was a result of the bifurcation of the Department of Health and Social Services. She explained that the change just removed references to the Department of Health and Social Services and now references the new department names. She continued that the next change was a technical name change and revised the Program-Related Investment to now be referred to as Program-Related Real Estate; from PRI to PRRE. Next was a technical change to reference the NCREIF property sector return, which has historically been used by the Land Office, and replaced references to the NPI property index.

CHAIR FISHER asked if there were any summary comments or anything on the changes.

MS. ROCH replied that, for the most part, they were just technical changes, bifurcation of the Department of Health and Social Services, removing references to the third-party real estate adviser.

CHAIR FISHER asked for any questions. There being none, he called the vote.

*After the roll-call vote, the MOTION was APPROVED. (Trustee Boyles, yes; Trustee Fimon, yes; Trustee Halterman, yes; Trustee Moran, yes; Trustee Morris, yes; Chair Fisher, yes.)*

## **APPROVALS**

### **FY24 BUDGET RATIFICATION**

CHAIR FISHER asked for the motion to be read into the record.

**MOTION:** The Finance Committee recommends that the Full Board of Trustees ratifies the Legislature's FY24 MHTAAR and MHT admin budget amounts as appropriated and therefore increases previous July '24 trustee authorizations by \$99,200. The motion was made by TRUSTEE HALTERMAN; seconded by TRUSTEE BOYLES.

MS. ROCH stated that the background behind this motion was that there were some changes throughout the legislative process. The majority of them were to account for increases to employee benefits. The Mental Health Budget Bill does pay for positions and had increases to health insurance and also the PRS rate adjusted. She went through the table that listed out what those changes were and the three different places in the budget where they applied. She continued that one item that was not related to personnel expenses was the last line, Department of Revenue Admin Services Division. That \$13,500 was allocated to DOR to help offset some of the interagency changes. She explained that those changes were sent to each agency to cover services provided by the State, such as computer services, telephones. She added that this was done to try to help offset getting a giant bill from the different agencies, and was the only one that was not related to personnel costs.

CHAIR FISHER asked for any other questions. There being none, he called the vote.

*After the roll-call vote, the MOTION was APPROVED. (Trustee Boyles, yes; Trustee Fimon, yes; Trustee Halterman, yes; Trustee Moran, yes; Trustee Morris, yes; Chair Fisher, yes.)*

CHAIR FISHER asked for the next motion.

## **TRUST AUTHORITY OFFICE AGENCY BUDGET FY25**

**MOTION:** The Finance Committee recommends that the Full Board of Trustees approve the fiscal year '25 Trust Authority Office MHT agency budget of \$4,819,908. The motion was made by TRUSTEE HALTERMAN; seconded by TRUSTEE BOYLES.

CEO WILLIAMS introduced the overall agency budget which is the request that is brought to the Finance Committee every July. It gets built into the overall budget that gets approved by the trustees in August. It includes the Trust Authority Agency budget and the Trust Land Office budget. It also includes all the programmatic elements that would be reviewed over the course of tomorrow and Thursday. He asked Ms. Roch to continue.

MS. ROCH stated that the proposal to the Trust Authority Office agency budget had a 4 percent increase for FY25 over FY24. This included staff salaries and the trustee honorarium and was reflective of merit increase. The benefit increase was not factored in as the current benefit levels were used. If adjusted, that would come back to the Board for it to be ratified for the increased amount. She moved on through the budget lines, explaining as she went along.

CHAIR FISHER asked for any questions. There being none, he called the vote.

*After the roll-call vote, the MOTION was APPROVED. (Trustee Boyles, yes; Trustee Fimon, yes; Trustee Halterman, yes; Trustee Moran, yes; Trustee Morris, yes; Chair Fisher, yes.)*

## **TRUST LAND OFFICE AGENCY BUDGET FY25**

CHAIR FISHER asked for the next motion.

**MOTION:** The Finance Committee recommends that the Alaska Mental Health Trust Authority Board of Trustees approve the Trust Land Office agency budget for fiscal year 2025 in the amount of \$5,155,000. The motion was made by TRUSTEE HALTERMAN; seconded by TRUSTEE BOYLES.

MS. WARNER stated that Sarah Morrison would walk them through the TLO budget. She drew everyone's attention to Blain Alfonso, who was on the agenda. He was the one that did a lot of this work. Creating budgets is always unique every single year, especially with resource managers.

MS. MORRISON stated that she is the chief business officer for the Trust Land Office. She went through the budget line by line and began with Personal Services where there was a 3 percent increase for merit increases. She continued with travel, and she did not anticipate any changes.

TRUSTEE FIMON asked about the first line and stated that it was personal. He asked if it was supposed to be personnel.

MS. MORRISON replied that it is personnel, but in the state accounting systems, there are some peculiar names, so it is personal services. She answered a few other questions and asked CEO Williams to explain the retention tool.

CEO WILLIAMS replied that the way the Trust Land Office and the Trust Authority Office address merit increase is, for the first five years of a person's employment with either agency, they were eligible for up to 5 percent. After that, it kicks in to the longevity, which is a lower percentage.

MS. MORRISON continued through, answering questions as she went along.

CHAIR FISHER asked for any other questions. There being none, he called the vote.

*After the roll-call vote, the MOTION was APPROVED. (Trustee Boyles, yes; Trustee Fimon, yes; Trustee Halterman, yes; Trustee Moran, yes; Trustee Morris, yes; Chair Fisher, yes.)*

CHAIR FISHER recognized CEO Williams.

CEO WILLIAMS took a few minutes to recognize Trust Authority staff Debbie DeLong. She has been with the State for ten years. Prior to coming to the Trust, she worked for the Department of Transportation and then at the Trust for the rest of the time. He stated that she is a very important part of making the wheels turn at the Trust and carrying out the mission of the Trust. He took a couple of minutes to recognize her ten years of service with the State.

CHAIR FISHER stated appreciation for the loyalty and contributions that Ms. DeLong has given to the Trust, and thanked CEO Williams for making us aware of that. He asked for any comments or questions from the trustees.

TRUSTEE BOYLES asked for a clean copy of the AMPS changes to be e-mailed for their files.

CEO WILLIAMS replied that once they were approved by the Board of Trustees in August, they would do that.

CHAIR FISHER asked for any other comments or questions. There being none, he asked for a motion to adjourn.

**MOTION:** A motion to adjourn the meeting was made by TRUSTEE HALTERMAN; seconded by TRUSTEE MORAN.

*After the roll-call vote, the MOTION was APPROVED. (Trustee Boyles, yes; Trustee Fimon, yes; Trustee Halterman, yes; Trustee Moran, yes; Trustee Morris, yes; Chair Fisher, yes.)*

CHAIR FISHER adjourned the meeting.

(Finance Committee meeting adjourned at 3:51 p.m.)





THE STATE  
*of* **ALASKA**  
GOVERNOR MIKE DUNLEAVY

# Alaska Mental Health Trust



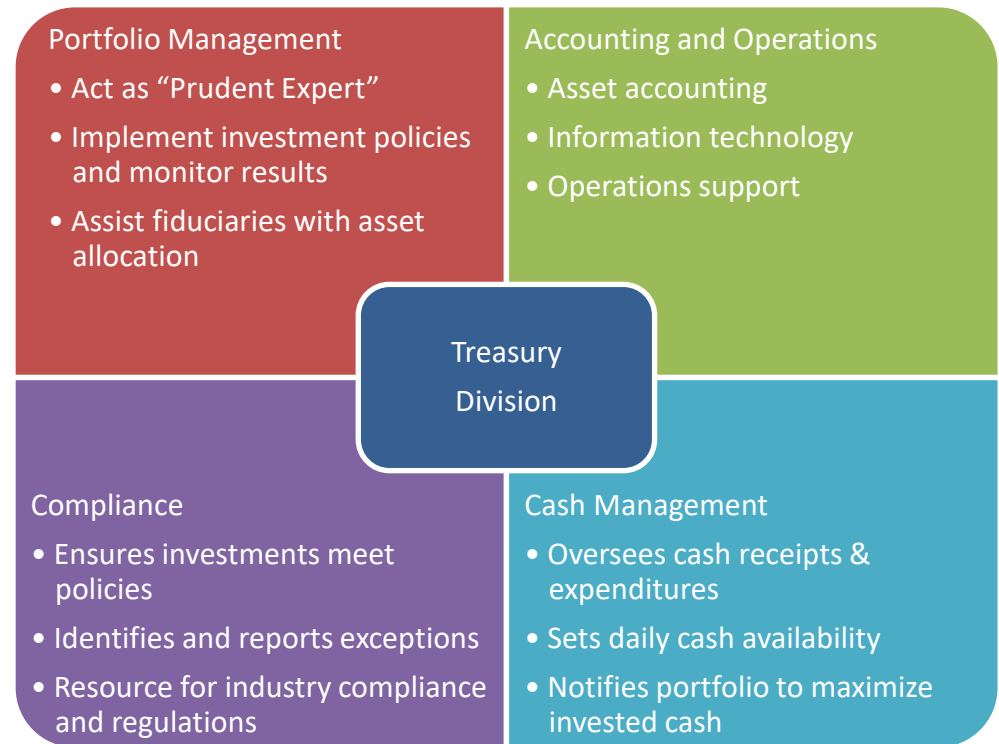
**October 2023**

**Shane Carson, CAIA, CFA**  
State Investment Officer, Treasury Division  
Alaska Department of Revenue

# Department of Revenue – Treasury Division

Treasury functions supporting the Alaska Mental Health Trust:

- Portfolio management is run by 14 investment professionals based in Juneau, Alaska.
- The Treasury Division has additional professionals in accounting, operations, compliance, and cash management.
- \$50.2 billion in assets managed as of June 2023:
  - Alaska Retirement Management Board (ARMB): \$40.4 billion
  - Funds under Commissioner of Revenue: \$9.5 billion
  - Other Fiduciaries: \$277 million
- The Division is a resource to help state fiduciaries achieve investment objectives and understand risks.
- Treasury implements investment policy and produces results.



# Alaska Mental Health Trust Assets

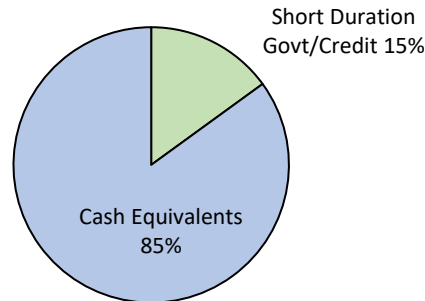
## Asset Management for Alaska Mental Health Trust:

- As of June 30, 2023, Department of Revenue managed \$84.6 million of AMHTA assets:

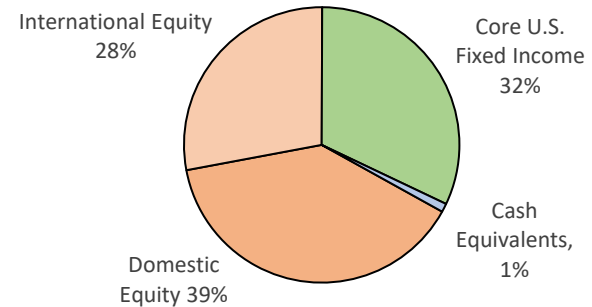
<b>Alaska Mental Health GeFONSI Assets:</b>	
Mental Health Deferred Maintenance	331,192
Mental Health Trust Fund	3,534,233
Mental Health Settlement Account	26,722,773
Total Alaska Mental Health GeFONSI Assets	30,588,198
<b>Alaska Mental Health Trust Reserve</b>	<u>53,962,974</u>
<b>Total AMHTA assets managed by DOR:</b>	<b>\$ 84,551,172</b>

- Current Target Asset Allocations (effective July 1, 2023):

**GeFONSI Asset Allocation**



**AMHTR Asset Allocation**



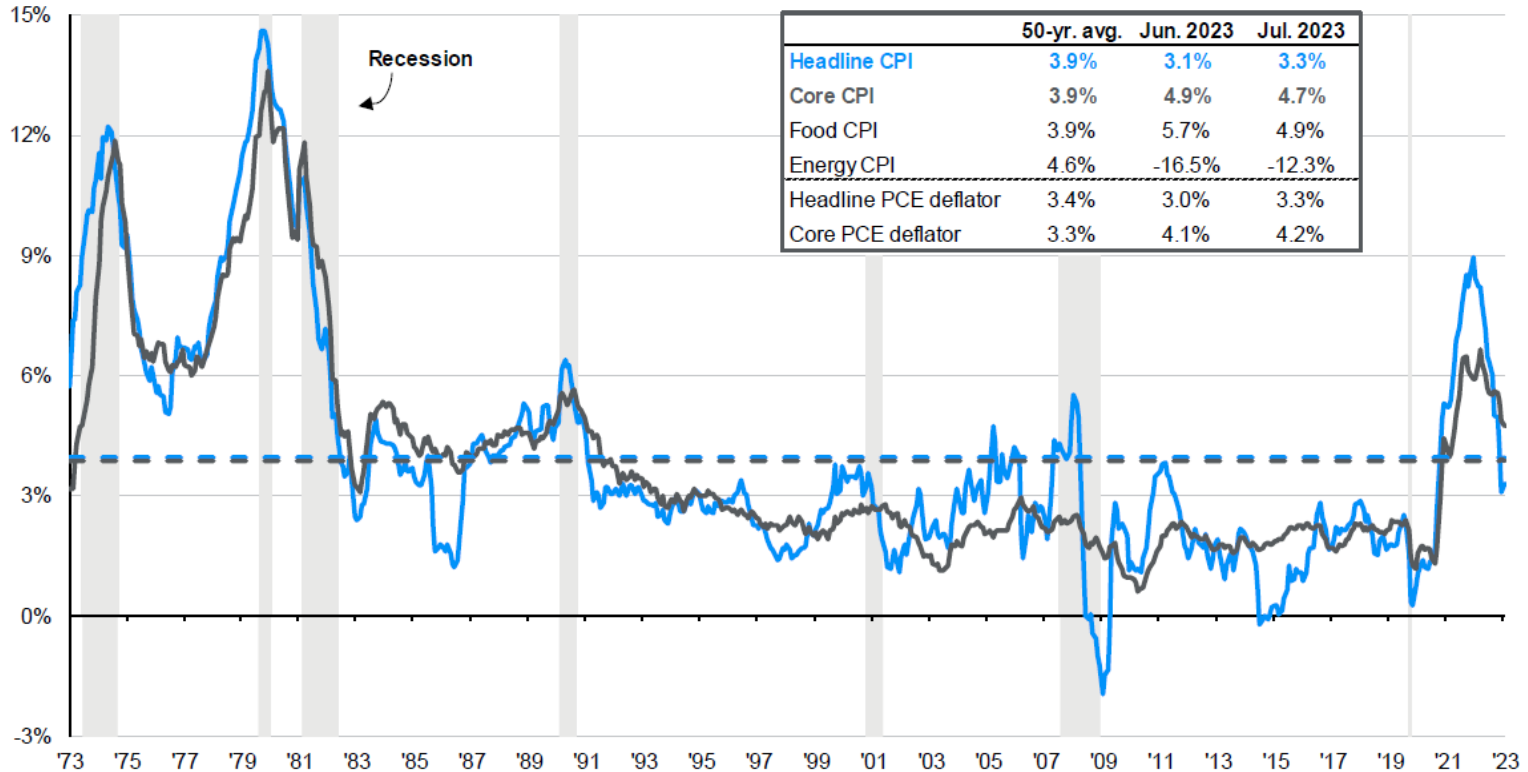
# Market Update

# Inflation

- Inflation rates have subsided but remain elevated compared to the U.S. Federal Reserve’s 2% inflation target.

## CPI and core CPI

% change vs. prior year, seasonally adjusted



Source: BLS, FactSet, J.P. Morgan Asset Management.

CPI used is CPI-U and values shown are % change vs. one year ago. Core CPI is defined as CPI excluding food and energy prices. The Personal Consumption Expenditure (PCE) deflator employs an evolving chain-weighted basket of consumer expenditures instead of the fixed-weight basket used in CPI calculations.

Guide to the Markets – U.S. Data are as of August 31, 2023.

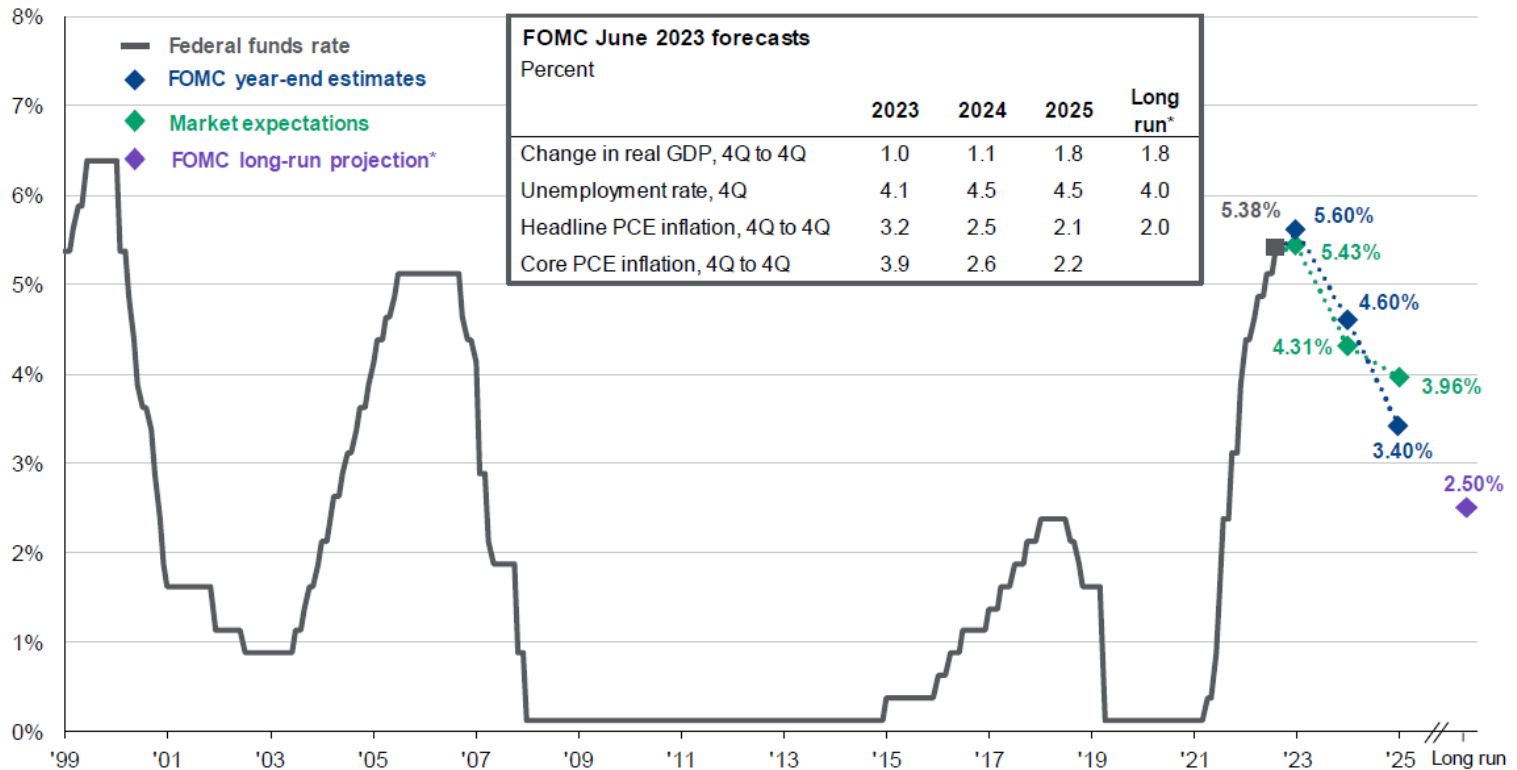
**J.P.Morgan**  
ASSET MANAGEMENT

# Inflation Response

- The Federal Open Market Committee has raised the federal funds target rate aggressively since 2022 to fight inflation and is now set at 5.25 – 5.50%.

## Federal funds rate expectations

FOMC and market expectations for the federal funds rate



Source: Bloomberg, FactSet, Federal Reserve, J.P. Morgan Asset Management.

Market expectations are based off of the respective Federal Funds Futures contracts for December expiry. \*Long-run projections are the rates of growth, unemployment and inflation to which a policymaker expects the economy to converge over the next five to six years in absence of further shocks and under appropriate monetary policy. Forecasts are not a reliable indicator of future performance. Forecasts, projections and other forward-looking statements are based upon current beliefs and expectations. They are for illustrative purposes only and serve as an indication of what may occur. Given the inherent uncertainties and risks associated with forecasts, projections or other forward-looking statements, actual events, results or performance may differ materially from those reflected or contemplated.

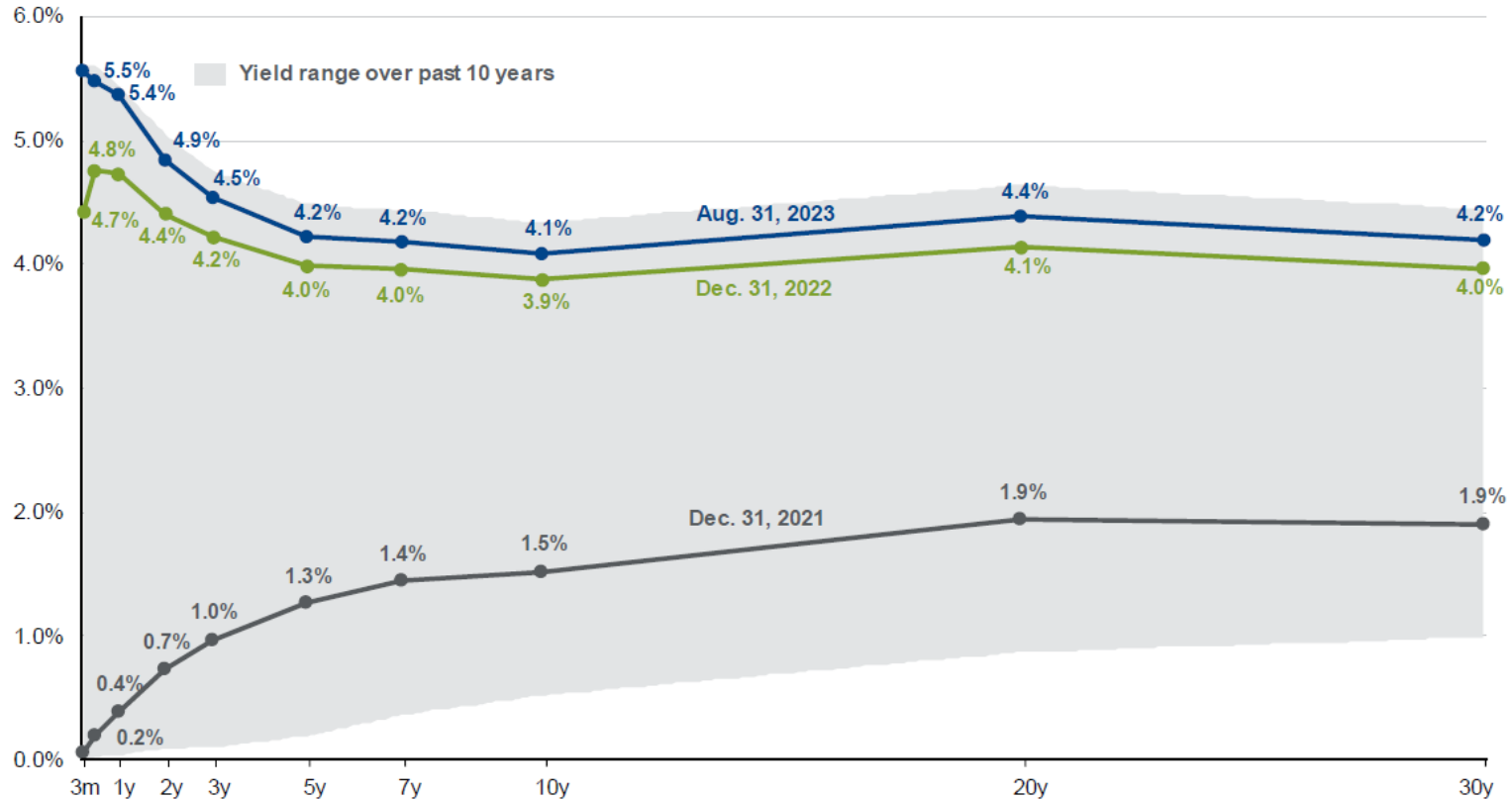
Guide to the Markets – U.S. Data are as of August 31, 2023.

**J.P.Morgan**  
ASSET MANAGEMENT

# U.S. Treasury Yield Curve

- Interest rates are higher across maturities since the January 2022 change in monetary policy.
- Higher interest rates increases fixed income yields but create headwinds for economic growth.

U.S. Treasury yield curve



Source: FactSet, Federal Reserve, J.P. Morgan Asset Management. Guide to the Markets – U.S. Data are as of August 31, 2023.

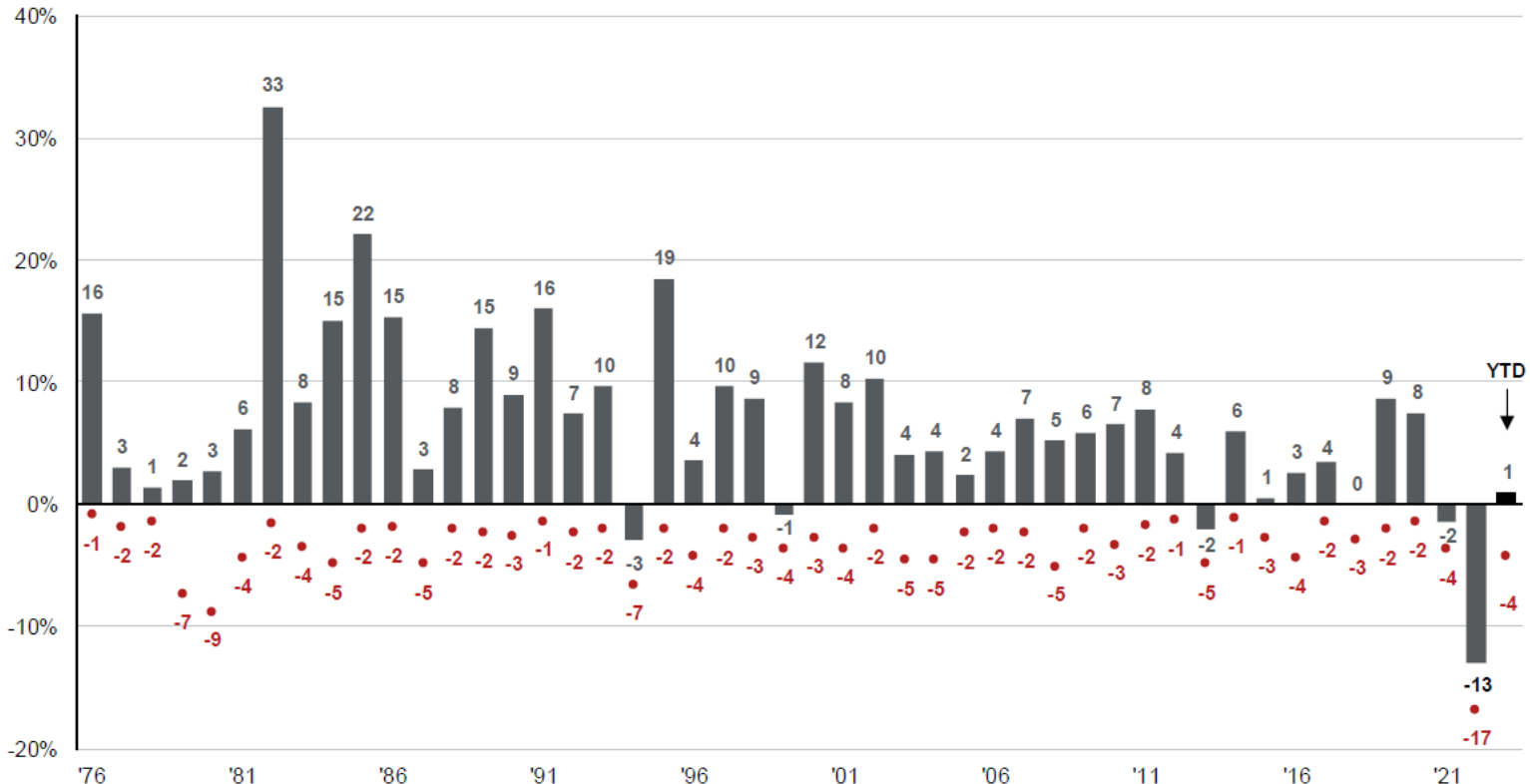
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ASSET MANAGEMENT

# Bond Market Returns

- Poor bond returns in 2022 and 2023 reflect the impact of the yield curve adjusting higher.

## Bloomberg U.S. Aggregate intra-year declines vs. calendar year returns

Despite average intra-year drops of 3.3%, annual returns positive in 42 of 47 years



Source: Bloomberg, FactSet, J.P. Morgan Asset Management.  
 Returns are based on total return. Intra-year drops refers to the largest market drops from a peak to a trough during the year. For illustrative purposes only. Returns shown are calendar year returns from 1976 to 2022, over which time period the average annual return was 6.6%. Returns from 1976 to 1989 are calculated on a monthly basis; daily data are used afterward.  
 Guide to the Markets – U.S. Data are as of August 31, 2023.



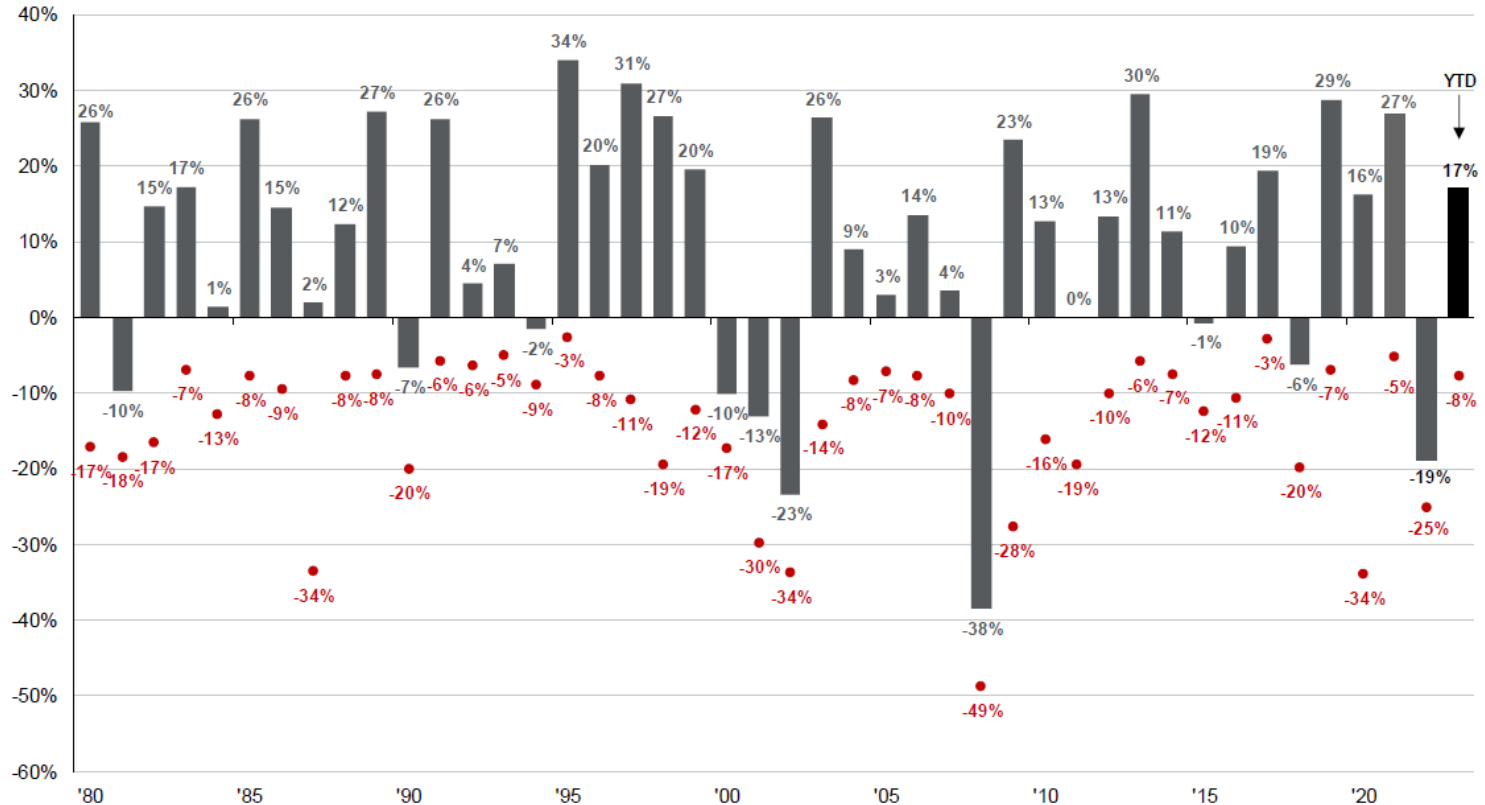


# Stock Market Returns

- Stocks have partially recovered from 2022 correction.

## S&P intra-year declines vs. calendar year returns

Despite average intra-year drops of 14.3%, annual returns were positive in 32 of 43 years



Source: FactSet, Standard & Poor's, J.P. Morgan Asset Management.

Returns are based on price index only and do not include dividends. Intra-year drops refers to the largest market drops from a peak to a trough during the year. For illustrative purposes only. Returns shown are calendar year returns from 1980 to 2022, over which time period the average annual return was 8.7%.

Guide to the Markets – U.S. Data are as of August 31, 2023.

**J.P.Morgan**  
ASSET MANAGEMENT

# FY14 – FY23 Market Returns

## Callan Periodic Table of Investment Returns – Fiscal Year

Fiscal Year Returns – Ending June 30									
06/2014	06/2015	06/2016	06/2017	06/2018	06/2019	06/2020	06/2021	06/2022	06/2023
Large Cap Equity 24.61%	Large Cap Equity 7.42%	Real Estate 11.58%	Small Cap Equity 24.60%	Small Cap Equity 17.57%	Large Cap Equity 10.42%	U.S. Fixed Income 8.74%	Small Cap Equity 62.03%	U.S. Fixed Income -10.29%	Large Cap Equity 19.59%
Dev ex-U.S. Equity 23.83%	Small Cap Equity 6.49%	Global ex-U.S. Fixed Income 11.24%	Emerging Market Equity 23.75%	Large Cap Equity 14.37%	U.S. Fixed Income 7.87%	Large Cap Equity 7.51%	Emerging Market Equity 40.90%	Large Cap Equity -10.62%	Dev ex-U.S. Equity 17.41%
Small Cap Equity 23.64%	U.S. Fixed Income 1.86%	U.S. Fixed Income 6.00%	Dev ex-U.S. Equity 19.49%	Emerging Market Equity 8.20%	Real Estate 7.68%	Global ex-U.S. Fixed Income 0.71%	Large Cap Equity 40.79%	High Yield -12.81%	Small Cap Equity 12.31%
Emerging Market Equity 14.31%	Real Estate -0.36%	Large Cap Equity 3.99%	Large Cap Equity 17.90%	Dev ex-U.S. Equity 7.04%	High Yield 7.48%	High Yield 0.03%	Dev ex-U.S. Equity 33.60%	Real Estate -13.45%	High Yield 9.06%
Real Estate 13.55%	High Yield -0.40%	High Yield 1.62%	High Yield 12.70%	Real Estate 5.64%	Global ex-U.S. Fixed Income 4.10%	Emerging Market Equity -3.39%	Real Estate 33.55%	Dev ex-U.S. Equity -16.76%	Emerging Market Equity 1.75%
High Yield 11.73%	Emerging Market Equity -5.12%	Small Cap Equity -6.73%	Real Estate 0.21%	Global ex-U.S. Fixed Income 2.78%	Dev ex-U.S. Equity 1.29%	Dev ex-U.S. Equity -5.42%	High Yield 15.37%	Global ex-U.S. Fixed Income -18.78%	U.S. Fixed Income -0.94%
Global ex-U.S. Fixed Income 9.42%	Dev ex-U.S. Equity -5.28%	Dev ex-U.S. Equity -9.84%	U.S. Fixed Income -0.31%	High Yield 2.62%	Emerging Market Equity 1.22%	Small Cap Equity -6.63%	Global ex-U.S. Fixed Income 4.60%	Small Cap Equity -25.20%	Global ex-U.S. Fixed Income -1.83%
U.S. Fixed Income 4.37%	Global ex-U.S. Fixed Income -13.19%	Emerging Market Equity -12.05%	Global ex-U.S. Fixed Income -3.80%	U.S. Fixed Income -0.40%	Small Cap Equity -3.31%	Real Estate -16.25%	U.S. Fixed Income -0.33%	Emerging Market Equity -25.28%	Real Estate -4.54%

Sources: ● Bloomberg Aggregate ● Bloomberg Corp High Yield ● Bloomberg Global Aggregate ex US ● FTSE EPRA Nareit Developed  
 ● MSCI Emerging Markets ● MSCI World ex USA ● Russell 2000 ● S&P 500

# Expectations

- Central banks will continue monetary policy effort until inflation goals are achieved.
- Economic consequences of higher interest rates are still being realized. Soft landing or recession are both possible outcomes.
- Availability of capital likely to be more restrained due to banking sector pressure.
- Wildcards: Geopolitical (US – China relations), US Presidential Election November 2024.
- Investment implications: Stay the course, be disciplined with asset allocation.

# Investment Performance

# Alaska Mental Health Trust - GeFONSI

## GeFONSI Investments:

- GeFONSI assets are invested internally by DOR staff.
- GeFONSI asset allocation is recommended by DOR staff and approved by the Commissioner of Revenue annually, effective as of July 1.
- GeFONSI is designed to be conservative with low exposure to principal loss and a high liquidity requirement given the short-term time horizon.
- Returns are above benchmark for Fiscal Year 2023 and over the longer term. Returns have been historically low as a result of a protracted period of low interest rates but have improved recently as monetary policy has become more restrictive.

<b>Performance as of June 30, 2023</b>	<b><u>1 Year</u></b>	<b><u>5 year</u></b>	<b><u>10 year</u></b>
GeFONSI	3.56%	1.46%	1.07%
GeFONSI Benchmark	3.11%	1.30%	0.88%
Difference	0.45%	0.16%	0.19%

# Alaska Mental Health Trust Reserve

## Alaska Mental Health Trust Reserve Investments:

- Alaska Mental Health Trust Reserve assets are invested internally by DOR staff and externally in passive commingled funds managed by State Street Global Advisors and in the Fidelity Tactical Bond fund.
- The asset allocation is approved by Alaska Mental Health Trust Authority based on the investment policy established in its Asset Management Policy Statement (AMPS).
- As stated in AMPS, the Alaska Mental Health Budget Reserve Fund has a moderate risk tolerance with a medium-term time horizon of five to seven years with an emphasis on balancing preservation of capital while still achieving growth.

<b>Performance as of June 30, 2023</b>	<b><u>1 Year</u></b>	<b><u>5 year</u></b>	<b><u>10 year</u></b>
Alaska Mental Health Trust Reserve	11.61%	5.87%	6.92%
Alaska Mental Health Reserve Benchmark	11.12%	5.68%	6.57%
Difference	0.49%	0.19%	0.35%
Cash Equivalents	4.01%	1.62%	1.16%
Core U.S. Fixed Income	-0.06%	1.14%	1.74%
Core Plus U.S. Fixed Income	3.32%	-	-
Domestic Equity	19.01%	11.39%	-
International Equity	12.70%	3.58%	-

# Asset Allocation

# Alaska Mental Health Trust Reserve

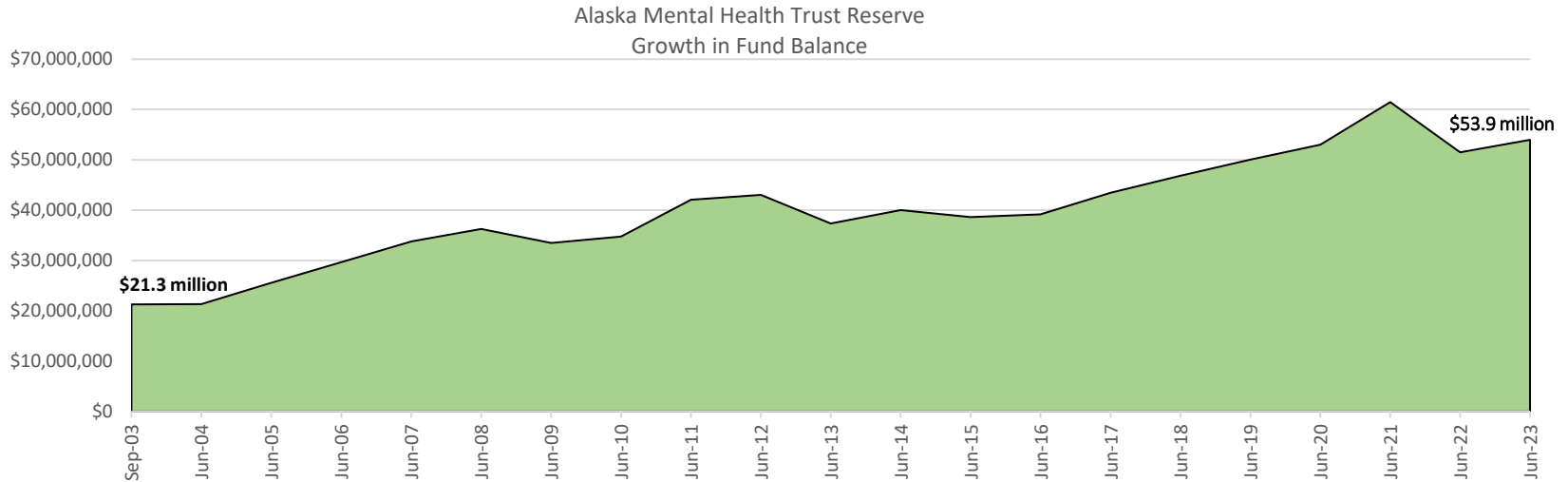
## Alaska Mental Health Trust Reserve History

- April 2003: Alaska Mental Health Trust Authority (AMHTA) staff met with DOR staff to discuss possibility of Treasury investing some of the trust settlement income account.
- May 2003: AMHTA Board approved motion to invest in DOR Treasury's Intermediate-Term Fixed Income Investment Pool. AMHTA remains fiduciary.
- September 2003: the Alaska Permanent Fund Corporation transferred \$20,963,600 to DOR for investment in the Intermediate-Term Fixed Income Investment Pool.
- August 2006: AMHTA adopted an asset allocation consisting of 30% Broad Market Fixed Income, 45% Domestic Equity Pool, 15% International Equity Pool and 10% Short-Term Fixed Income Pool.
- November 2008: AMHTA adopted an asset allocation consisting of 29% Broad Market Fixed Income, 40% Domestic Equity Pool, 21% International Equity Pool and 10% Short-Term Fixed Income Pool.
- March 2019: AMHTA adopted an asset allocation consisting of 44% Broad Market Fixed Income, 33% Domestic Equity Pool, 23% International Equity Pool and 0% Short-Term Fixed Income Pool.
- July 2022: AMHTA adopted an asset allocation consisting of 30% Broad Market Fixed Income, 43% Domestic Equity Pool, 26% International Equity Pool and 1% Short-Term Fixed Income Pool.
- July 2023: AMHTA adopted an asset allocation consisting of 32% Broad Market Fixed Income, 39% Domestic Equity Pool, 28% International Equity Pool and 1% Short-Term Fixed Income Pool.



# Alaska Mental Health Trust Reserve

Change in balance over time:



Alaska Mental Health Trust Reserve – Asset Allocation History

	Short-Term Fixed Income	Intermediate-Term Fixed Income	Broad Market Fixed Income	Domestic Equity Pool	International Equity Pool	Equity/Fixed Income
2003		100%				
2006	10%		30%	45%	15%	60%/40%
2008	10%		29%	40%	21%	61%/39%
2019	0%		44%	33%	23%	56%/44%
2022	1%		30%	43%	26%	69%/31%
2023	1%		32%	39%	28%	67%/33%

# Alaska Mental Health Trust

Asset Management Objectives (AHMTA Investment Policy Statement, August 29, 2019):

## **Liquid Asset Management Objectives**

Specific liquid asset 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-liquid asset portfolio;
- achieve a real rate of return (above inflation) of five percent (5%) over a full market cycle 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.

# Alaska Mental Health Trust

Guidelines and Investment Policy (AHMTA Investment Policy Statement, August 29, 2019):

## Time Horizon

The investment time horizon, also referred to as duration, is one of the major factors in achieving positive investment results. In order to appropriately balance investment decisions and spending decisions, the Trust considers several time horizons:

Short-Term: The Trust invests funds that are held temporarily, pending use by Trust programs or other investment decisions. These investments have an approximate time horizon of two years with an emphasis on preservation of capital rather than growth. Investments in this area include the funds held in the General Fund and Other Non-Segregated Investment (GeFONSI) pool managed by the Department of Revenue. **The GeFONSI pool is intended to produce moderate returns with low levels of risk**; accordingly it holds a mix of high quality, short term securities and holds the regular operating funds used by the Trust. The Trust's GeFONSI accounts include the following

- Trust Settlement Income Account (Fund 1092)
- Trust Authority Development Account (Fund 3320)
- Central Facilities Fund (Fund 3322)

Medium-Term: The Trust invests funds that may be needed in the future for use by Trust programs. These investments have an **approximate time horizon of five to seven years with an emphasis on balancing preservation of capital while still achieving growth**. Investments in this area include:

- Budget Reserves

# AMHT DOR Assets - FY24 Asset Allocation

- For FY24, no changes were made to the GeFONSI asset allocation.
- A new Alaska Mental Health Budget Reserve asset allocation was implemented effective July 1, 2023.
- REITs were excluded from the Budget Reserve asset allocation due to real estate exposure in other areas of the AMHT portfolio. The Core Fixed income allocation includes up to 8% in a tactical fixed income portfolio managed by Fidelity.
- The risk profile of the Budget Reserve assets is a higher risk asset allocation similar to longer term 70/30 “endowment model” state funds DOR manages. Allocation remains consistent with the Callan Asset Allocation and Spending Study review completed in April 2022 which recommended a move to 70% equity to maximize real purchasing power over time.

## State of Alaska FY2024 Asset Allocation

Asset Classes	AMHTR	GeFONSI
Broad U.S. Equity	39%	
Global ex-U.S. Equity	28%	
US REITS	0%	
Short Duration Gov't/Credit	0%	15%
Core U.S. Fixed Income	32%	
Cash Equivalents	1%	85%
<b>Total</b>	<b>100%</b>	<b>100%</b>

## Optimization Results:

<b>Expected Return (L-T AMHTR, S-T GeFONSI)</b>	<b>6.75%</b>	<b>5.00%</b>
Risk - Standard Deviation	12.29%	0.93%
Sharpe Ratio	0.33	(0.01)

## Risk Statistics:

1-Year 10% Probable Return (10% cVaR)	-14.8%	3.4%
1-Year 5% Probable Return (5% cVaR)	-18.6%	3.1%
Probability of Loss - 1 Year	29.1%	0.0%
Prob. Return < -1%	26.4%	0.0%
Prob. Return < -2%	23.8%	0.0%
Prob. Return < -3%	21.4%	0.0%
Prob. Return < -4%	19.1%	0.0%
Prob. Return < -5%	17.0%	0.0%
Prob. Return < -10%	8.6%	0.0%
Prob. Return < -20%	1.5%	0.0%
Probability of Loss - 10 Year	4.1%	0.0%
Asset Time Horizon Estimate	5.9	0.5

## Dollars: (\$Millions)

Assets	53.9	30.6
Expected Annual Earnings	3.6	1.5
1-Year 10% Probable Return (10% cVaR)	(8.0)	1.0

# Alaska Mental Health Trust

Questions?



**APFC**

ALASKA PERMANENT  
FUND CORPORATION

Alaska Mental Health Trust Authority  
Finance Committee Meeting  
October 2023



ALASKA PERMANENT  
FUND CORPORATION

### **Vision**

To deliver outstanding returns for the benefit of all current and future generations of Alaskans.

### **Fiduciaries**

The Board of Trustees has a duty to assure that the Fund is managed and invested in a manner consistent with constitutional and statutory mandates, including the Prudent Investor Rule.

### **Mission**

To manage and invest the assets of the permanent fund and other funds designated by law in accordance with AS 37.13.

### **Alaska Permanent Fund Principal**

Constitution and AS 37.13.010

### **Earnings Reserve Account**

AS 37.13.145 (a)

### **Amerada Hess Settlement**

AS 37.13.145 (d)

AK Capital Income Fund

AS 37.05.565

### **Alaska Mental Health Trust Fund**

AS 37.13.300

Alaska Mental Health Trust Authority

### **Power Cost Equalization Endowment**

AS 42.45.080 (a)

Alaska Energy Authority – PCE Program

# Investing for the Long-Term

The Board's objective is to achieve the highest level of performance within the investment responsibilities of AS 37.13.120 and prudent investment practices.

## **Investment Performance**

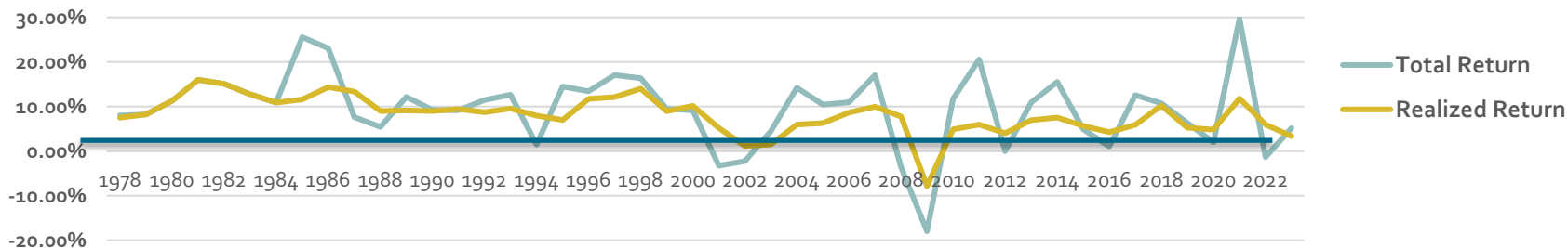
Ability to generate an annualized return of inflation (CPI) + 5% over a 10-year period (long-term target).

## **Investment Risk**

Ability of the Fund to achieve the long-term target while conforming to the Board's approved risk appetite metric.



# Portfolio Performance as of June 30, 2023



Long-Term Investment Performance As of Fiscal Year-end 23	Fund	Passive Index	Performance Benchmark	Return Objective CPI + 5%
1 Year	5.18%	8.78%	5.74%	7.97%
3 Year	10.49%	6.05%	9.45%	10.78%
5 Year	7.93%	4.98%	7.52%	8.91%
10 Year	8.42%	5.89%	7.54%	7.72%
39.5 Year	8.74%	na	8.80%	7.83%

# AMH: Alaska Mental Health

\$ millions

**FY19 - FY23**

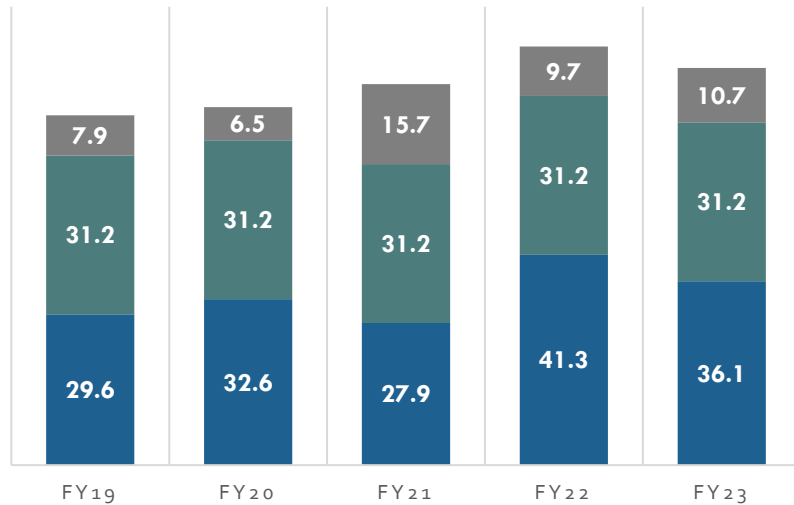
**\$ 126.4 m Principal Growth**

\$ 76.2 m in AMH Deposits

\$ 50.2 m in AMH Realized Earnings Transfers

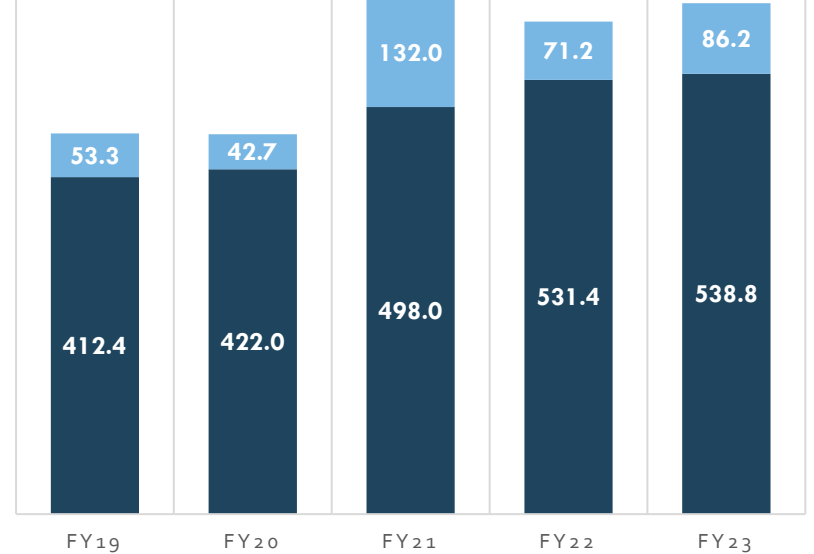
## AMH EARNINGS

- Realized Earnings Not Drawn
- Earnings Deposits
- Earnings Unrealized G/L



## AMH PRINCIPAL

- Principal
- Principal Unrealized G/L



# Realized Earnings & Draws

## FY19 - FY23

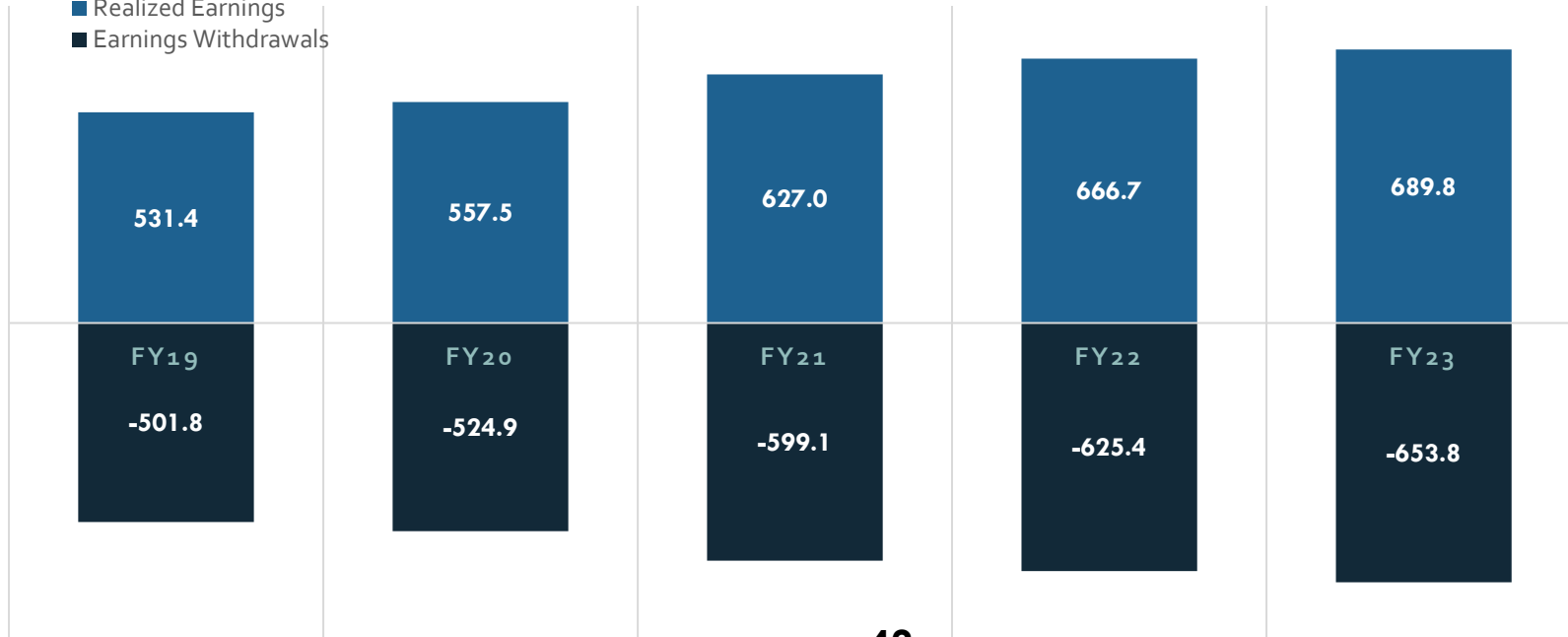
\$ 152.0 m drawn from AMH Realized Earnings

\$ 75.8 m transferred out to AMHTA

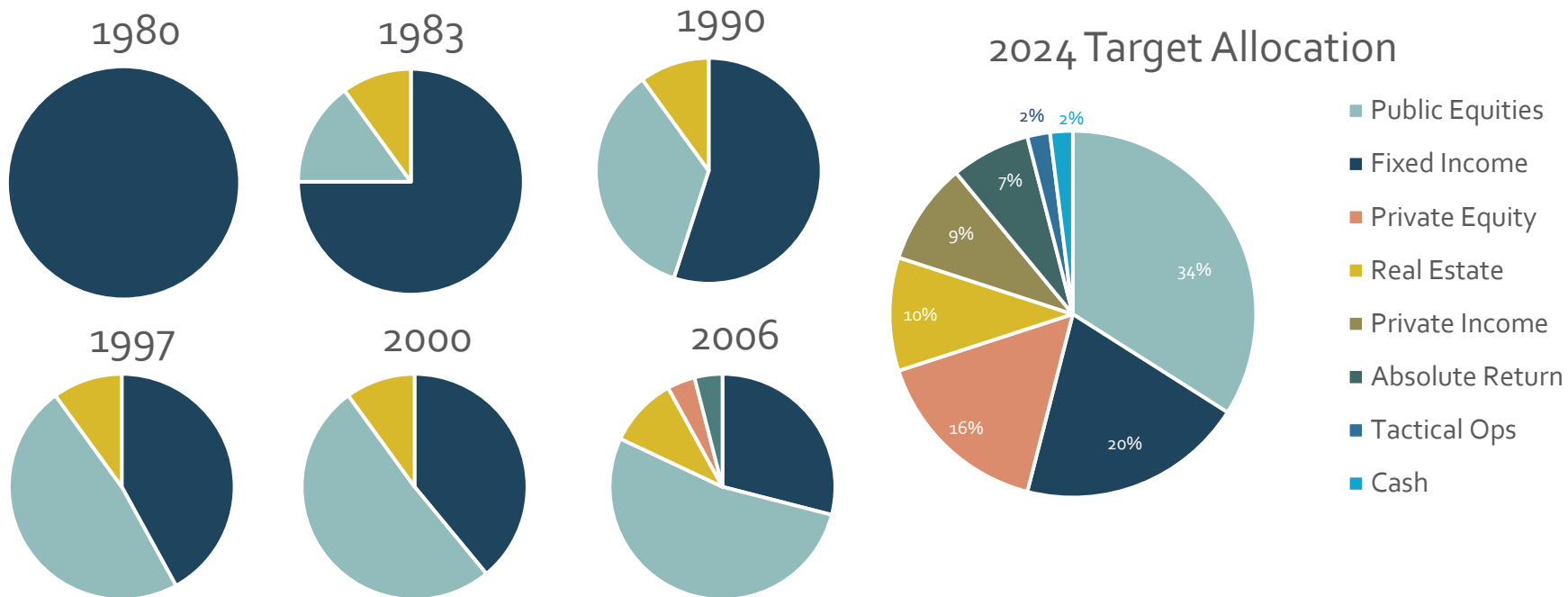
\$ 76.2 m transferred to AMH Principal

## AMH CUMULATIVE \$ millions








■ Realized Earnings  
■ Earnings Withdrawals



# Management: Asset Allocation



# Portfolio

	<b>Public Equities</b>	The Public Equities allocation is comprised of U.S., International, and Global Stocks.
	<b>Fixed Income</b>	The internally managed Fixed Income portfolio acts as an anchor to the Fund and is comprised of Government and Corporate Bonds.
	<b>Private Equity</b>	Private equity is a diversified, global portfolio focusing on buyouts, venture capital, real assets, and distressed credit opportunities through primary partnerships, co-investments, and targeted direct investments in operating companies.
	<b>Private Income</b>	Private Income strategy is invested in infrastructure, private credit and other income producing assets.
	<b>Real Estate</b>	APFC has partial or complete ownership of 70 residential, retail, industrial, and office buildings in the United States and abroad providing inflation-adjusted cash yield.
	<b>Absolute Return</b>	Absolute Return strategy aims to provide a consistent, uncorrelated return that is accretive to the overall target.
	<b>Tactical Ops</b>	Tactical Opportunities is designed to provide an area for the investment team to execute opportunistic investments across public and private markets.
	<b>45 Cash</b>	Cash Portfolio provides stability for the portfolio as well as liquidity and risk balance through diversification benefits relative to other riskier asset classes.

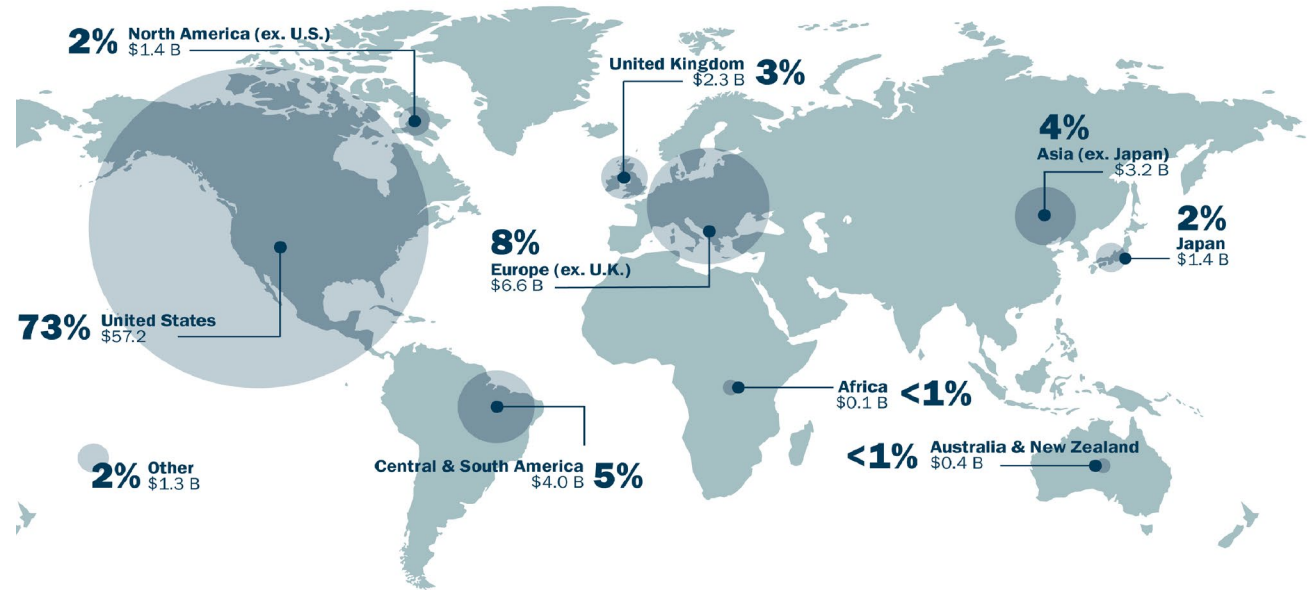
# Global Diversification as of June 30, 2023

## Risk Management

APFC is in the business of taking risks.

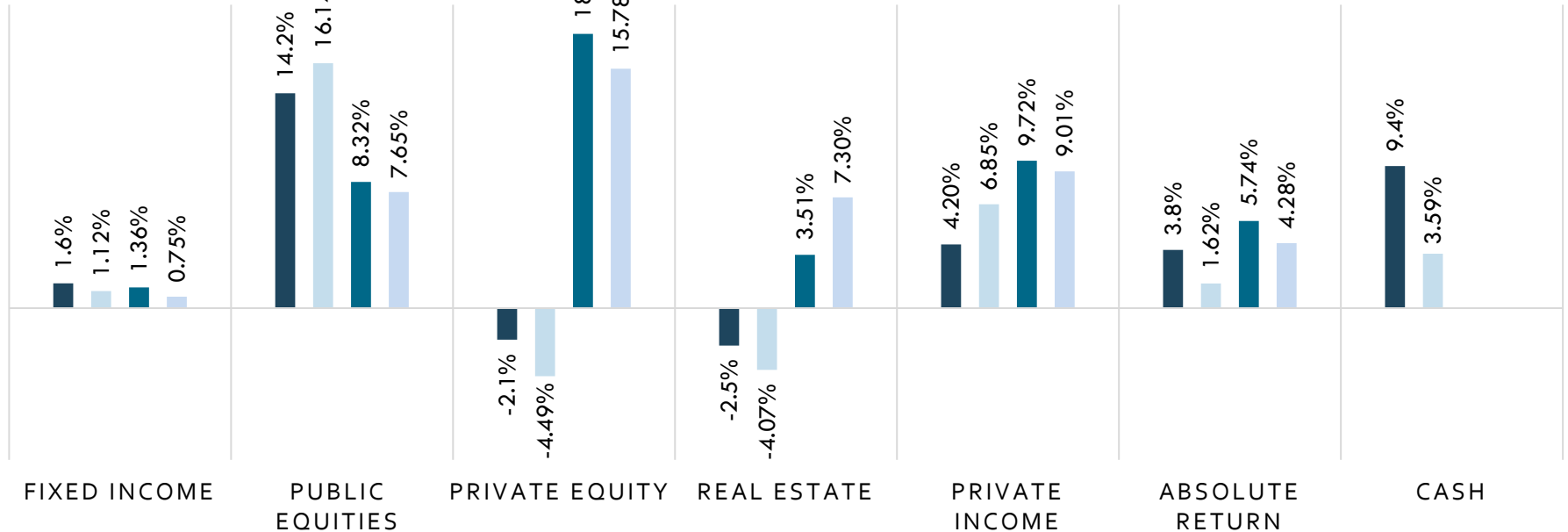
The goal of risk management is not to avoid risk but to identify, understand, and manage it to acceptable levels.

APFC seeks to balance the goals of maximizing returns and minimizing risks.



# Asset Class Performance as of June 30, 2023

■ 1-Yr Return      ■ 1-Yr Benchmark  
■ 5-Yr Return      ■ 5-Yr Benchmark

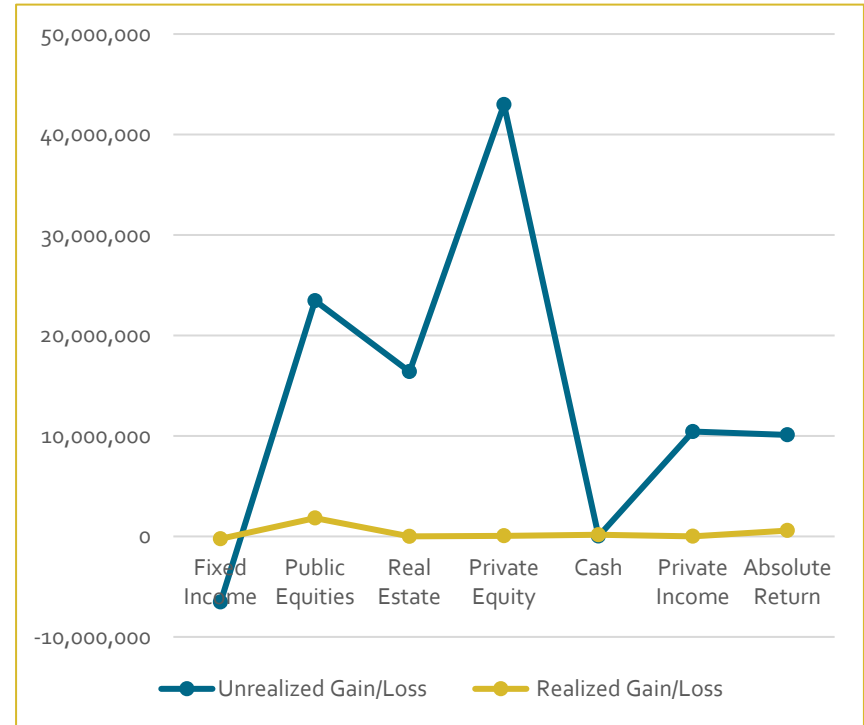


# AMH: Unrealized & Realized Gains FY23

	Unrealized Gain/Loss	Realized Gain/Loss
Fixed Income	-6,513,651	-230,327
Public Equities	23,462,698	1,828,898
Real Estate	16,398,055	6,027
Private Equity	42,975,514	66,460
Cash	31,313	172,410
Private Income	10,437,414	14,658
Absolute Return	10,111,937	591,281
<b>Total</b>	<b>96,903,281</b>	<b>2,449,407</b>

\*Private Markets, the illiquid portion of the portfolio, currently comprise ~72% of the total unrealized gains

\*Private Equities, Real Estate, Private Income





# Alaska Statutes 37.13.300 Assets of the Mental Health Trust

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## Article 02. Management of Other Assets.

### Sec. 37.13.300. Corporation to manage certain assets of the mental health trust.

- (a) The corporation shall manage the mental health trust fund.
- (b) The corporation shall
  - (1) hold and invest the mental health trust fund subject to [AS 37.13.120](#);
  - (2) at least quarterly, prepare, publish, and distribute to the Board of Trustees of the Alaska Mental Health Trust Authority a financial report showing investment revenue and expenditures, including the allocation of the cash assets of the mental health trust fund among investments;
  - (3) annually prepare, publish, and distribute to the Board of Trustees of the Alaska Mental Health Trust Authority financial statements prepared in accordance with generally accepted accounting principles consistently applied, and an audit report prepared by a certified public accountant;
  - (4) periodically advise the Board of Trustees of the Alaska Mental Health Trust Authority when revisions to long-range investment policy, including asset allocation changes, are contemplated, and provide an opportunity for consultation and comment on the changes before they are implemented; and
  - (5) transfer to the mental health trust settlement income account the net income available for distribution attributable to the mental health trust fund at the end of each fiscal year.
- (c) Net income from the mental health trust fund may not be included in the computation of net income available for distribution under [AS 37.13.140](#).



APFC

Integrity - Stewardship - Passion

## MEMO

**To:** John Morris, Finance Committee Chair  
**Through:** Steve Williams, Chief Executive Officer  
**From:** Julee Farley, Chief Financial Officer  
**Date:** October 19, 2023  
**Re:** Annual payout transfer  
**Fiscal Year:** 2024

### REQUESTED MOTION:

*The Finance Committee recommends that the full board of trustees authorize the transfer of \$30,240,200 from the Alaska Permanent Fund Corporation Budget Reserve account to the Mental Health Settlement Income Account to finance the FY2024 base disbursement payout calculation. The CFO may fulfill this motion with one lump sum or multiple transfers.*

### BACKGROUND

The revenue determination for supporting the Trust's annual budget is outlined in the Asset Management Policy Statement. The Trust's primary funding is based on a "spending policy" that allows the Trust to draw 4.25% of the four-year average net asset value (NAV) of 1) principal and budget reserve year-end investment balances managed by the Alaska Permanent Fund Corporation (APFC) and 2) the budget reserve year-end investment balance managed by the Department of Revenue. The spending policy establishes that this withdrawal (or "payout") comes from APFC budget reserves.

The calculation for the FY24 payout and drawdown from APFC budget reserves is as follows:

	FY Ending NAV
FY 2020	587,908,300
FY 2021	766,169,400
FY 2022	736,377,000
FY 2023	755,687,200
Average:	711,535,475
	<u>x 4.25%</u>
Payout disbursement calculation (rounded):	30,240,200

This requested payout is \$1,819,700 above that authorized in FY2023. Budget reserves under APFC management are sufficient to support this FY2024 payout.