

MEETING AGENDA

Meeting: Finance Committee
Date: August 1, 2025
Time: 9:15 am
Location: Trust Authority Building, 3745 Community Park Loop, Anchorage
Teleconference: [Zoom Link](#); Meeting ID: 842 6183 9319; Passcode: 907
Call-in number +1 669 444 9171; alaskamentalhealthtrust.org
Trustees: John Morris (Chair), Kevin Fimon, Anita Halterman, Brent Fisher (ex-officio)

Friday, August 1, 2025

		<u>Page</u>
9:15am	Call Meeting to Order (John Morris, Chair) Roll Call Announcements Approve Agenda Ethics Disclosure Approve Minutes – April 23, 2025	6
9:20am	Staff Report Items Financial Dashboard • Julee Farley, CFO Forecasts – FY27 Revenue and calculation • Julee Farley, CFO	15 19
9:45am	Commercial Real Estate Update with RCLCO Executive Session – (if necessary) In accordance with the Open Meetings Act, AS 44.62.310(c)	
10:15am	Approvals Beneficiary Facilities FY26 Budget Ratification and Amendment Recommendations • Julee Farley, CFO and Katie Baldwin-Johnson, COO FY26 Payout Authorization • Julee Farley, CFO Trust Authority Office Agency Budget FY27 • Katie Baldwin-Johnson, COO Trust Land Office Agency Budget FY27 • Jusdi Warner, Executive Director • Sarah Morrison, Chief Business Officer	20 23 29 30 33

Friday, August 1, 2025

11:35am	Lunch Break	
12:00pm	Callan Presentation on AMPS and Inflation Proofing <ul style="list-style-type: none">• Steve Center Senior Vice President, Callan LLC• Julia Moriarty Senior Vice President, Callan LLC	39
1:00pm	Adjourn	

Future Meeting Dates

Full Board of Trustees / Program & Planning / Resource Management / Audit & Risk / Finance

(Updated – July 2025)

- | | | |
|--------------------------------|-----------------------------|--------------------------|
| • Program & Planning Committee | July 31, 2025 | (Thu) |
| • Audit & Risk Committee | August 1, 2025 | (Fri) |
| • Finance Committee | August 1, 2025 | (Fri) |
| • Resource Mgt Committee | August 1, 2025 | (Fri) |
| • Full Board of Trustees | August 27-28, 2025 | (Wed, Thu) – Anchorage |
| | | |
| • Program & Planning Committee | October 15, 2025 | (Wed) |
| • Audit & Risk Committee | October 16, 2025 | (Thu) |
| • Finance Committee | October 16, 2025 | (Thu) |
| • Resource Mgt Committee | October 16, 2025 | (Thu) |
| • Full Board of Trustees | November 19-20, 2025 | (Wed, Thu) – Anchorage |
| | | |
| • Program & Planning Committee | January 21, 2026 | (Wed) |
| • Finance Committee | January 22, 2026 | (Thu) |
| • Resource Mgt Committee | January 22, 2026 | (Thu) |
| • Audit and Risk Committee | January 22, 2026 | (Thu) |
| • Full Board of Trustees | February 18-19, 2026 | (Wed, Thu) – Juneau |
| | | |
| • Program & Planning Committee | April 22, 2026 | (Wed) |
| • Finance Committee | April 23, 2026 | (Thu) |
| • Resource Mgt Committee | April 23, 2026 | (Thu) |
| • Audit and Risk Committee | April 23, 2026 | (Thu) |
| • Full Board of Trustees | May 20-21, 2026 | (Wed, Thu)– location TBD |

Future Meeting Dates

Statutory Advisory Boards

(Updated – July 2025)

Alaska Commission on Aging

ACOA: <https://aging.alaska.gov>

Executive Director: Martin Lange, (907) 465-4793, martin.lange@alaska.gov

- September 25, 2025 - Virtual
- December 2-3, 2025 – Virtual
- February 24-26, 2026 - TBD

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

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

ABADA: <https://health.alaska.gov/abada/Pages/default.aspx>

Executive Director: Kermit Wilson, (907) 465-4650, kermit.wilson@alaska.gov

- TBD

Governor’s Council on Disabilities and Special Education

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

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

- Triennial Meeting, Oct 6-7 Hybrid/Anchorage
- Disability and Aging Summit Oct 14-15, Anchorage
- Triennial Meeting, Feb 10-12, Hybrid/Juneau

Trustee Committee Assignments

Updated June 2025

Executive Committee

- Brent Fisher, Chair
- Agnes Moran, Vice Chair
- Anita Halterman, Secretary
- Mary Wilson, staff

Audit & Risk Committee

- Kevin Fimon, Chair
- Corri Feige
- Anita Halterman
- Brent Fisher, *non-voting*
- Julee Farley, staff

Finance Committee

- John Morris, Chair
- Kevin Fimon
- Anita Halterman
- Brent Fisher, *non-voting*
- Julee Farley, staff

Program & Planning Committee

- Agnes Moran, Chair
- Kevin Fimon
- Corri Feige
- Brent Fisher, *non-voting*
- Katie Baldwin, staff

Resource Management Committee

- Corri Feige, Chair
- Anita Halterman
- Josie Hickel
- Brent Fisher, *non-voting*
- Jusdi Warner, staff

**ALASKA MENTAL HEALTH TRUST AUTHORITY
FINANCE COMMITTEE MEETING
HYBRID/WEBEX
April 23, 2025
8:30 a.m.**

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

Trustees Present:

John Morris, Chair
Anita Halterman
Kevin Fimon
Brent Fisher, Ex-officio

Other Trustees Present:

Agnes Moran
Corri Feige
Rhonda Boyles

Trust Staff Present:

Mary Wilson
Allison Biastock
Katie Baldwin-Johnson
Shannon Cochran
Valette Keller
Julee Farley
Luke Lind
Carrie Predeger
Mike Baldwin
Eric Boyer
Kat Roch
Kelda Barstad
Tine Voelker-Ross
Eliza Muse
Debbie DeLong
Heather Phelps

Trust Land Office staff present:

Jusdi Warner
Jeff Green
Sarah Morrison
Brittany Williams
Blain Alfonso
Cole Hendrickson
Mariana Sanchez
Katie Vachris

Also participating:

Steve Center; Julie Moriarty; Steve Sikes; Sheila Harris; Kermit Wilson; Josie Hickel; Brenda McFarlane, James Herston.

PROCEEDINGS

CALL TO ORDER

CHAIR MORRIS called the meeting to order and began with a roll call. He asked for any announcements. Hearing none, he asked for a motion to approve the agenda.

APPROVAL OF AGENDA

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

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

CHAIR MORRIS asked for any ethics disclosures. There being none, he moved to the approval of the minutes from January 8, 2025.

APPROVAL OF MINUTES

MOTION: A motion to approve the minutes from January 8, 2025, was made by TRUSTEE HALTERMAN; seconded by TRUSTEE FIMON.

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

FINANCIAL UPDATE

CHAIR MORRIS recognized CFO Julee Farley for the financial update. He noted that there was a handout.

CFO FARLEY stated that the handout of the dashboard has more information in a usable format with some pictures and additional detailed information. She continued that some of the information is the same, and began going through it. She explained the expenditures and the remaining amounts.

TRUSTEE FIMON stated that it seemed that there is a pattern of lagging a bit behind on the percent spend from where they were in the year. He asked Mr. Lind to talk about that.

MR. LIND replied that the numbers were a bit skewed because the big approval of February is still being encumbered, and a lot of that \$6.7 million in that column would be shifting over to the \$4.9 million. He added that they have been mindful of transitioning to the trustees for approvals, and they are trying to kind of accelerate the rate of approvals.

CFO FARLEY stated that the next section is the MHTAAR capital, which has five years for those funds to be expended; the year of the original budget, and then four additional years. She then moved to Authority Grants which have four years that the funds could be expended.

CHAIR MORRIS asked why MHTAAR Grants would not be spent.

MR. LIND replied that it is largely the vacant positions, which are about 70 to 80 percent State positions. They have trouble hiring at times, and positions would be vacant without the ability to move the funds with Authority Grants.

CHAIR MORRIS called a three-minute break.

(Pause.)

MR. LIND clarified that 55 percent of the funds are still active and have not lapsed. The Department of Transportation and Department of Health are still able to spend those grant funds.

CFO FARLEY continued through the graphs.

TRUSTEE HALTERMAN stated that she has been listening to the hearings in the Legislature, and there is a lot of confusion about lapses with the Trust and some misconceptions about doing better with the resources. She talked about the need to do a better job about educating others about lapses and what they really mean. She suggested finding ways to use them as a roadmap to determine the bumps in the road where improvements can be made; and to review lapses over historical time to see if those processes could be improved.

COO BALDWIN-JOHNSON stated that the team has been looking at this as a quality improvement project, looking at patterns to better understand where this is being seen. She continued that the challenge is the funds that go to the State departments. She added that they are actively in conversations with the Commissioners about this issue.

CFO FARLEY moved to the Land Office and stated that with the change in format there has been a change in the presentation, and that she was presenting this information as the CFO of the Trust. The data comes from the Land Office, and she would defer any questions to the folks who prepared the data. She continued through the presentation, answering questions as she went along.

TRUSTEE HALTERMAN asked about the change to where it is reported.

CFO FARLEY replied that this is a change in the dashboard so that the revenues associated with the capital projects could be clearly captured and reported. It also allows trustees to see how the authorized capital project performed. With this new report, the revenues will not be recorded in both places.

E.D. WARNER added, for context, that the land exchange properties the Trust has are still performing, with that number continuing to rise.

CFO FARLEY stated that this reporting illustrates that there is continued work for prior-year budgets, and also that the performance of capital projects that the TLO has executed will continue on. She proceeded through the investment activity and stated that she hoped to get the March dashboard updated soon.

CHAIR MORRIS stated that Dr. Mary Wilson, Trust CEO, has joined online. He stated that the

Callan presentation was next on the agenda to talk about their work on the asset management strategy. He recognized Mr. Center, and thanked him for meeting with the trustees in person.

CALLEN PRESENTATION

MR. CENTER stated that his last presentation was Phase 1 of the asset spending analysis. He continued that today he would be talking about Phase 2. He introduced himself as Steve Center, a senior investment consultant with Callan for about 15 years. He introduced, online, Julie Moriarty, the cohead of the capital markets research team, who has been with Callan for 35 years. He continued that today's agenda would begin with a discussion about the Asset Management Policy Statement, also called the investment policy statement by some institutional investors. It is the document that helps govern the overall Trust as a whole; how it is an investment; how it is spent; and the overall goals for all of the people involved. He added that part of what Callan is retained to do in the asset spending analysis is also a thorough review of the Asset Management Policy Statement.

CHAIR MORRIS stated that Trustee Moran joined the meeting.

MR. CENTER talked a bit about asset allocation and balancing, particularly as it relates to the DOR budget reserve portfolio. He also talked about the rebalancing policies that are in place for the DOR budget portfolio. He touched on the overall allocation for the budget reserves, meaning that there is a target of maintaining a budget reserve of 400 percent of the current year's payout in reserves of the Trust; which is currently being split between the Permanent Fund and the DOR budget reserve portfolio. Callan conducted an analysis to make sure 400 percent is the right amount to hold, and to determine if that equal split between the Permanent Fund and the DOR budget reserve portfolio is prudent. They also talked about the spend rate proposal from the Phase 1 analysis where they proposed increasing the spend rate from 4.25 to 4.75 to 5 percent. That proposal will be pulled back down to a range closer to 4.25 to 4.5. He reminded all that the study is being done in two phases: Phase 1, the recommendation about the spending rate and review of the reserve levels, inflation-proofing and cash management were done the last time; and Phase 2 focuses mostly on the Asset Management Policy Statement. He stated that it is important that the policy statement reflects the organization requirements and the particular approach to the overall investment program. He continued that the good news is that the current policy statement is in pretty good shape, and there are some recommended changes with the goal to talk through some of those so that trustees can understand what is being brought forward. One recommendation is adding language that requires that proposals should be expected to improve the overall investment performance for the Trust, which forgoes investing in the Permanent Fund to make the investments funded through the TLODA account. He added that the overall and potential risk of these investments needs to be evaluated, with the goal of performing a risk assessment to avoid risks in the future, where possible.

TRUSTEE BOYLES asked at what point do they prioritize with the fiduciary responsibilities and the actual management of the land the Trust was given 100 years ago.

MR. CENTER replied that the Trust is in a unique position with the vast land properties that should be generating a positive return for the Trust in the long term. Letting it sit undeveloped and unutilized is no benefit to the Trust in the long term. He stated that weighing the risk and return for any potential capital project is important. He explained more fully, incorporating the "mosaic theory" approach. He moved to looking at performance measurement for the projects. The recommendation is evaluating performance, similar to evaluating a private equity

investment, called ratio analysis. The next recommendation is how to review the investment performance overall for projects funded by TLODA. The investment performance metrics recommended are things similar to private equity style investment metrics. He moved to two other recommendations for the AMPS: First is a process for investment guideline monitoring, which is included in the AMPS to a degree. The Trust cannot control the overall investment guidelines for the Permanent Fund or the GeFONSI portfolio. It is the trustees' fiduciary responsibility to oversee those investments with the recommendation of getting presentations from the Permanent Fund and the Department of Revenue on an annual basis to confirm that their investments have been conducted in line with their current investment policies. The final bullet is that the TLODA-funded projects and the commercial real estate portfolio, which are pretty fluid investments, and the guidelines around them need to reflect that. He moved to the investment guidelines around cash management were closing a couple of limitations around how much cash is held within the Trust as a whole. He stated that the goal is to minimize the cash drag on the overall Trust. The more cash held, the lower the overall return for the Trust over time. He moved to asset allocation and rebalancing for the DOR budget reserve portfolio, which is the one investment program that the trustees approved from an asset allocation standpoint on an annual basis because it can be controlled. It is an investment that is purely invested in the public markets, which are equities, fixed income, and cash. It is fully liquid and invested in commingled vehicles and mutual funds. It can be sold at any time. He continued that the recommendation is to pull that down, from an equity standpoint, from 57 percent to 50 percent equity; 49 percent fixed income; 1 percent cash. That change will lower the expected return on the budget reserve portfolio by about 20 basis points. He also recommended de-risking the DOR budget reserve portfolio slightly, and he illustrated that. He looked at some projections for distributions of possible outcomes over the next 10 years for the different asset mixes.

TRUSTEE FIMON asked how much inside modeling is reactionary.

MR. CENTER stated that they did not model changes to the implementation. The important thing to remember is the DOR budget reserve portfolio is fully liquid and can be transacted at no transaction cost. The changes could be done very quickly if approved.

CHAIR MORRIS called a break.

(Break.)

CHAIR MORRIS asked Mr. Center to continue.

MR. CENTER moved to a review of the reserve of level balance and stated that the analysis looked at different ways to invest the 400 percent reserve balance which should be equally split between the DOR budget reserve portfolio and the Permanent Fund, 200 percent each. In full disclosure, this same analysis was done in 2022 and, at that time, the trustees decided to maintain that equal split. They recommended a change which does not need to be approved today; it can be codified within the AMPS when it does get approved, and then will be updated. He stated that the recommendation is to invest the 400 percent budget reserve allocation with a split of 300 percent to the DOR budget reserve portfolio and 100 percent to the Permanent Fund. He continued looking at projections over the next 20 years, similar to what was done in the spending analysis, to see what the overall outcome change looked like by shifting from a 57 percent allocation to equities in the DOR budget reserve portfolio to 50 percent, but also shifting the budget reserve allocation to be three quarters invested at the DOR budget reserve and one quarter

invested at the Permanent Fund. He continued to a review of the spending rate that Callan proposed at the meeting in January: an increase to a range between 4.75 and 5 percent from the current 4.25 percent. He now came back with a slightly revised proposal, recommending a range between 4.25 and 4.5 percent; a slight increase.

CHAIR MORRIS asked that the draft motion on spend rate be read.

MOTION: The Finance Committee recommends that the Full Board of Trustees authorize an annual withdrawal rate of 4.25 percent. The motion was made by TRUSTEE HALTERMAN; seconded by TRUSTEE FIMON.

TRUSTEE FISHER asked about the four years at 400 percent and if that included an increase per year, at least based on the inflation rate.

MR. CENTER replied that 400 percent reflects 400 percent of the most recent payment and does reflect the change in the market over the trailing four years. He stated that they did not include an inflation adjustment, and the current payout does not adjust based upon projected inflation in any way.

TRUSTEE HALTERMAN entertained amending the motion to 4.5 percent, and then, re-evaluating it in one year.

TRUSTEE FISHER shared a chart that showed that they have consistently had more funds available for spending to the beneficiaries on average since 2011, going back 12 years. By well managing the assets that the Trust has, they have been able to increase the amount of real dollars spent and available to spend even though the percentage has stayed the same. He wanted to make sure that was on the record.

CHAIR MORRIS commented that the recommendation to increase the spending rate was not particularly timely. In the previous meeting, many calculations presented recommended 4.7, a significantly higher increase in the spend rate. The revision of the recommendation to a lower number makes it seem more palatable, but it does not seem reasonable -- in terms of the increasing risks being faced in the market -- for the total portfolio to bind to a higher spend rate. He entertained the motion.

TRUSTEE HALTERMAN stated that, procedurally, she should re-read the motion with the number.

MOTION: The Finance Committee recommends that the Full Board of Trustees authorize an annual withdrawal rate of 4.5 percent. And, in addition, the CFO shall update the Asset Management Policy Statement with this rate and present an updated Asset Management Policy for approval at the next meeting of the Finance Committee. This payout of 4.5 percent shall first become effective for the development of the Fiscal Year '27 budget. The motion was made by TRUSTEE HALTERMAN; seconded by TRUSTEE FIMON.

After the roll-call vote, the MOTION was APPROVED. (Trustee Halterman, yes; Trustee Fimon, yes; Chair Morris, no.)

DEPARTMENT OF REVENUE PRESENTATION FOR RESERVE ALLOCATION
CHAIR MORRIS recognized Mr. Sikes from the Department of Revenue.

MR. SIKES stated he is Steve Sikes with the State of Alaska Department of Revenue, and noted that the objectives are a reminder of the services provided to the Trust, an opportunity to review the investment process, and that he would make himself available for questions about what they do whether related to his or Mr. Center's presentations. He continued that they manage two accounts, the budget reserve account and GeFONSI, which is the cash assets, the operating assets, the assets that are expected to be spent in the short term with not a lot of risk. He explained that with the budget reserve account, the Trust Board has a fiduciary responsibility to set the asset allocation. He continued that the Department of Revenue has been helping the Board every April for five years now. A proposed new asset allocation is presented for adoption at this meeting, effective July 1 of the upcoming fiscal year. Every year it is reviewed, tuned, discussed, and approved. This year Callan did the spending study and a review of the operations. He moved on to GeFONSI and stated that the Trust GeFONSI assets are managed as part of a broader pool of the State's cash assets, alongside the CBR, the General Fund, which is a lot of cash managed in terms of its operations and savings in managing the budget process. He added that the Commissioner of Revenue approves the GeFONSI asset allocation on a similar cycle to the mental health process, also effective July 1 every year. He reflected on the history of the budget reserve account which pointed out how things had changed over time. He noted that CFO Farley had the action item on the asset allocation.

MOTION: The Finance Committee recommends the Full Board of Trustees approve the following asset allocation for budget reserves managed by the State of Alaska Department of Revenue effective July 1, 2025:
The asset allocation of Board U.S. Equity: Target holding of 28 percent; target range, plus or minus 5;
Asset allocation of International Equity: Target holding 22 percent; target range, plus or minus 5 percent;
Asset allocation for Core U.S. Fixed Income: Target holding 49 percent; target range plus or minus 5 percent;
Asset allocation of Cash Equivalents: Target holding 1 percent; target range negative 1 percent/plus 2 percent.
There is a footnote on the Core U.S. Fixed Income: it may include up to 12 percent Equitable Fixed Income.
The motion was made by TRUSTEE HALTERMAN; seconded by TRUSTEE FIMON.

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

TRUSTEE HALTERMAN stated that she had some questions about the commercial real estate.

CFO FARLEY stated that at a previous meeting, the trustees directed staff to engage an investment manager for the commercial real estate. She reported that a contract with RCLCO has been signed, and there is an intro packet in the materials about the firm. This firm, RCLCO, is an adviser to the Permanent Fund, and they come highly recommended. They have more than 100 employees and advise on more than \$100 billion in real estate assets. They will present to the trustees at the May meeting for the July committee meetings. She added that they will be managing the three properties based in Texas. The remaining property is the investment in

Anchorage known as the Cummins Building; a commercial property rented by Cummins.

CHAIR MORRIS asked why RCLCO is not managing that property.

CEO WILSON replied that, without revealing confidential information, the TLO is in a process with that property, and they thought it was best to complete the process and not have new management in the middle of it.

CHAIR MORRIS recognized Mr. Center with some results on commercial real estate sales.

MR. CENTER provided handouts that talk about their process for calculating returns through the sale period for Rulon White and Washington Parks. He noted that the modified deeds method which was used for calculating the investment returns for the commercial real estate portfolio at the last meeting is the same methodology used for these calculations. In order to make these calculations match time periods with the Permanent Fund and the market benchmark, it is assumed the sales actually happened as of December 31, 2024. But one actually occurred in November, and one in January, which is a simplifying assumption with no impact on the return calculations with assurance that was above board before moving on. He went through the return calculations and noted that the two properties combined were about 37 percent of the commercial real estate portfolio as of June 30.

CHAIR MORRIS asked if there were any other offers pending on any other properties in Texas or elsewhere.

E.D. WARNER replied that there were below-market offers on property in Texas.

CHAIR MORRIS asked for any other comments, and recognized Trustee Halterman.

TRUSTEE HALTERMAN entertained another motion, with the transition between the Trust Land Office and a contractor managing the commercial real estate portfolio.

MOTION: The Finance Committee recommends that the TLO prepare a final status report relating to the commercial real estate portfolio that covers the period from when the TLO management of the commercial real estate ends on April 18, 2025. Such a report should include a financial summary of the investment, including any sales proceeds, any outstanding loan obligations, distributions to the Trust, and contributions by the Trust to summary of issues that may affect the sale and/or any value of properties. Activity and performance should reflect actual sales price of the property valuations in May for June of 2025. The motion was made by TRUSTEE HALTERMAN; seconded by TRUSTEE FIMON.

TRUSTEE FEIGE asked if it that would not be a standard part of the handout from the TLO and management status to the contractor coming in.

E.D. WARNER stated that was one of the plans for the hand-off.

TRUSTEE FIMON asked if this was maybe just to insure that it does happen.

TRUSTEE HALTERMAN replied that it was to insure that it did happen. She continued that

there is a transitional period, and she wanted to get a report to ease that transition.

TRUSTEE FIMON asked if this placed any undo restriction.

E.D. WARNER replied that this was the first she heard of the motion and was just a bit confused and was having a hard time commenting on the specifics within that. She continued that if it is to insure that there is an information-share in the hand-off, that is the plan anyway.

CHAIR MORRIS clarified that the motion had three dates, with none being actual dates for provision of the report. He inferred that this report would come out sometime after June of 2025.

TRUSTEE HALTERMAN stated her willingness to withdraw the motion if it could be taken up during the Resource Management meeting. She wanted to make sure that there is a transition that happens between the TLO and the contractor, and to work cooperatively. If she receives assurance that that would be done, the motion may be unnecessary.

CHAIR MORRIS asked if it would be amenable to Ms. Warner to provide a copy to trustees of the hand-off report to RCLCO, and then Trustee Halterman could see if it is adequate for her purposes and a future date could be discussed. He believed that problem being that the motion is in Finance.

TRUSTEE HALTERMAN withdrew the motion for further consideration, and tabled it.

CHAIR MORRIS asked for any other topics to discuss during the Finance Committee. He asked for a motion to adjourn.

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

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

(Alaska Mental Health Trust Authority Finance Committee meeting adjourned at 11:39 a.m.)

Alaska Mental Health Trust

For period ending: May 31, 2025

% of FY reported: 92%

TRUST AUTHORITY	FY25 July-May Expenditures	% of budget	FY25 Remaining/Projected/ Encumbered	Approved Budget	Projected Lapse over/(under)
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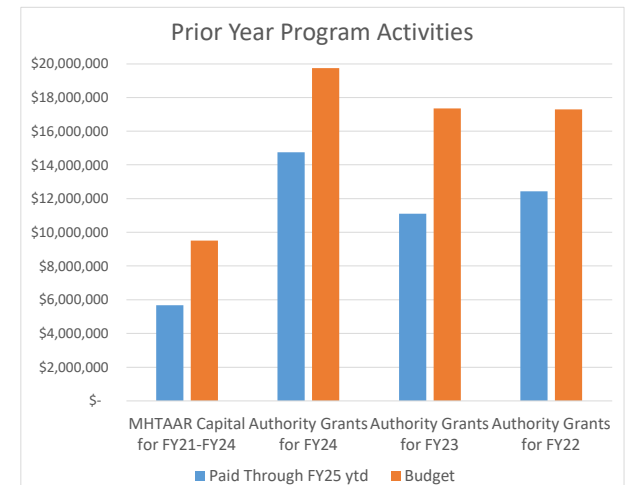
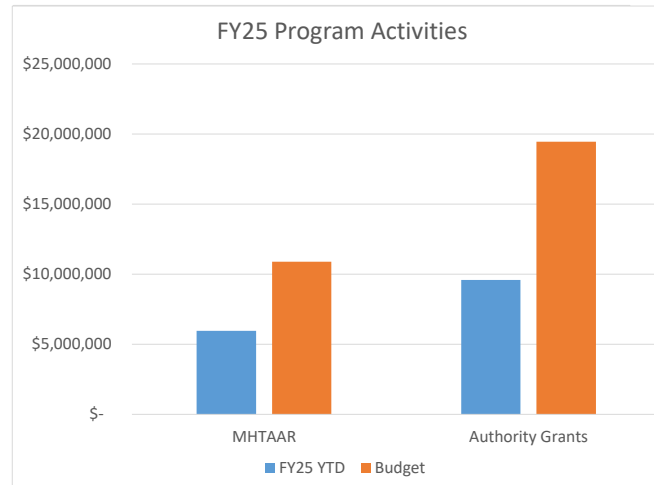
Operating Expenditures

FY25 Trust Authority Agency Exp.	\$ 4,063,600	79%	\$ 919,836	\$ 5,173,300	\$ (189,864)
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Program Activities

	Paid in FY25		Trustee Encumbered/Approved	To be approved or encumbered	Approved Budget	
MHTAAR	\$ 5,962,451	55%	\$ -	\$ 4,431,949	\$ 10,894,400	\$ (500,000)
Authority Grants	9,580,237	49%	4,900,170	4,461,593	19,442,000	(500,000)
FY25 Budget	\$ 15,542,688	51%	\$ 4,900,170	\$ 8,893,542	\$ 30,336,400	(1,000,000)
	Paid in FY25		Previously Paid	Remaining Budget	Approved Budget	% expended
MHTAAR Capital for FY21-FY24	\$ 946,641		\$ 4,731,900	3,836,159	9,514,700	60%
Authority Grants for FY24	4,558,645		10,193,528	4,993,828	19,746,000	75%
Authority Grants for FY23	679,346		10,423,740	6,246,614	17,349,700	64%
Authority Grants for FY22	63,415		12,376,121	4,850,400	17,289,900	72%
Total FY21-FY24 Budgets	\$ 6,248,046					

Total Program Activities paid in FY25 \$ 21,790,734



Alaska Mental Health Trust

For period ending: May 31, 2025

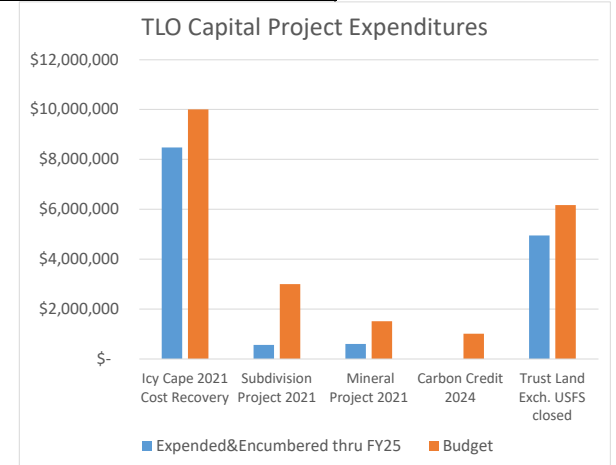
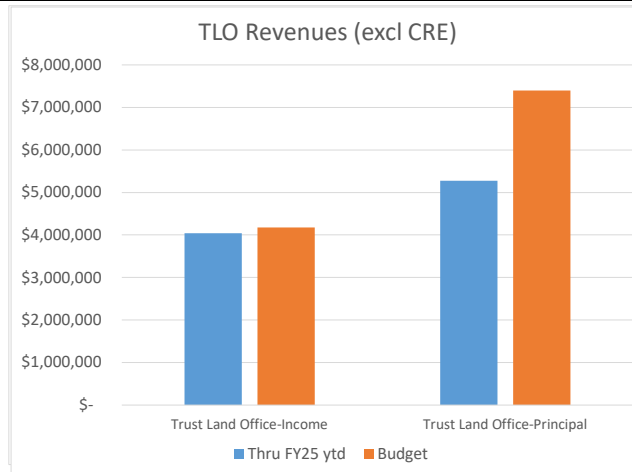
TRUST LAND OFFICE		July-May	% budget		Approved Budget	Projected Lapse
Operating Expenditures		Expended		FY25 Remaining/ Projected/Encumbered		
FY25 TLO Agency Expenditures		3,778,500	70%	998,600	5,417,100	(640,000)
Revenues (excl. CRE and Capital Projects)		Revenue			Approved Plan	
Trust Land Office-Income	\$	4,039,561*	97%		\$ 4,173,400	*does not include \$620k of FY26 income revenue
Trust Land Office-Principal		5,275,995	71%		7,395,100	
Land Office Revenues	\$	9,315,556	81%		\$ 11,568,500	

Capital Projects		July-May	Encumbered	Cumulative Expended & Encumbered thru May2025	YTD Principal	YTD Income	Inception to date Principal & Income	Approved Budget	Remaining Budget	
funded from Budget Reserves approval year noted		Expended								
Icy Cape 2021 Cost Recovery	\$	869,700	\$ 96,000	\$ 8,481,500				\$ 10,000,000	\$ 1,518,500	15%
Subdivision Project 2021	\$	97,800	\$ 325,800	\$ 551,400				\$ 3,000,000	\$ 2,448,600	82%
Mineral Project 2021	\$	300,000		\$ 600,000				\$ 1,500,000	\$ 900,000	60%
Carbon Credit 2024	\$	-		\$ -				\$ 1,000,000	\$ 1,000,000	100%
Trust Land Exch. USFS closed	\$	-		\$ 4,950,000	\$ 637,600	\$ 112,500	\$ 10,621,900	\$ 6,170,000	\$ -	0%
Icy Cape 2016 closed	\$	-		\$ 2,000,000				\$ 2,000,000	\$ -	0%
Icy Cape 2017 closed	\$	-		\$ 3,000,000				\$ 3,000,000	\$ -	0%
Total Capital Projects	\$	1,267,500	\$ 421,800	\$ 19,582,900				\$ 26,670,000	\$ 5,867,100	22%
Shelter Cove (DOT funded)	\$	148,000	\$ 110,100	\$ 7,025,280	\$ -	\$ -	\$ -	\$ 7,175,000	\$ 149,720	

FY25YTD

TLO Total Principal Revenue incl. Capital Projects \$ 5,913,595

TLO Total Income Revenue incl. Capital Projects \$ 4,152,061



Alaska Mental Health Trust

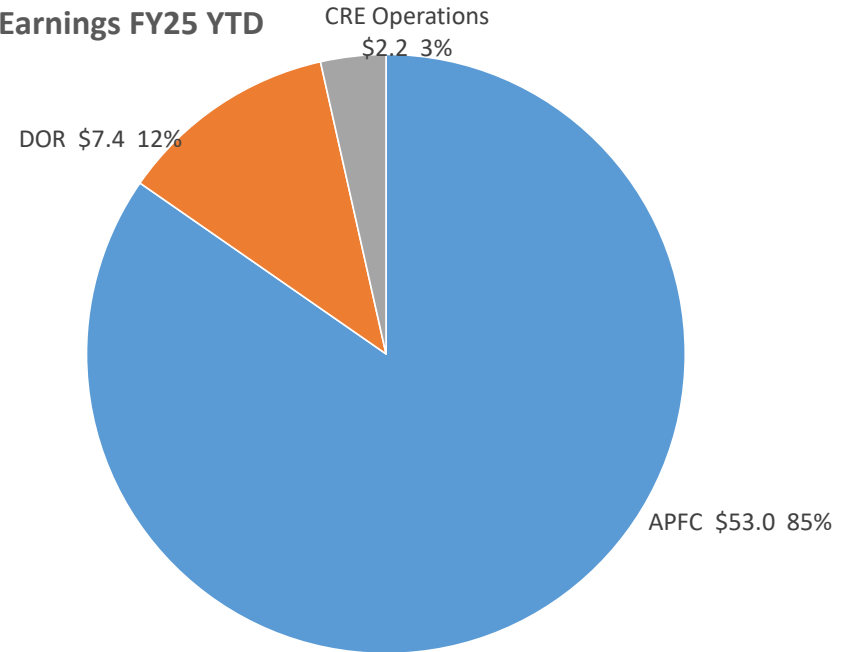
For period ending: May 31, 2025

TRUST INVESTMENT ACTIVITY

	July-May	% budget		Plan	Lapse	Performance
Managed by APFC (inc. Principal and Budget Reserves)						
APFC Unrealized gain(loss)	3,727,000					
APFC Statutory Net Income	49,268,000					
APFC Gain \$	52,995,000	93%		\$ 57,124,800		FY25 ytd May 6.6% vs 6.6% bench (LT expected return 7.7%)
Managed by DOR						
Budget Reserves gain (loss)	5,193,600	138%		3,763,900		FY25 ytd May 8.9% vs 8.7% bench (LT expected return 7.0%)
GeFONSI Interest earnings	2,191,400	114%		1,915,800		
DOR	7,385,000			5,679,700		
Commercial Real Estate Distributions from Operations						
Managed by TLO	2,192,400	106%		2,069,000		
Managed by RCLCO	-			-		
Total Investment Earnings	\$ 62,572,400	96%	\$ -	\$ 64,873,500		
CRE Distribution from Property Sales	21,172,600		-	20,600,000		
FY25 CRE Owner Contributions	(1,200,000)					

Investment Earnings FY25 YTD

(\$million)



Alaska Mental Health Trust

For period ending: May 31, 2025

TRUST ASSETS at May 31, 2025

Investments

APFC-Managed Trust Principal	\$ 557,521,000
APFC-Managed Unrealized Gains	112,101,000
APFC-Managed Spendable Reserves	65,586,400
Total APFC Managed Funds	\$ 735,208,400

Trust Reserves at DOR	\$ 77,935,600
Total Externally Managed Investments	\$ 813,144,000

Basis for 4.25% payout calculation on June 30, 4yr avg.

Commercial Real Estate	\$ 32,974,300
------------------------	---------------

Value at June 30, 2024 adjusted for sold property

Total Investments	\$ 846,118,300
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Reserves (included in above Investments)	\$ 143,522,000
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Less Trustee Approvals to be funded from Reserves

FY25 payout not yet taken	-
Beneficiary Facilities	(3,655,000)

Adjusted Reserve Balance	139,867,000
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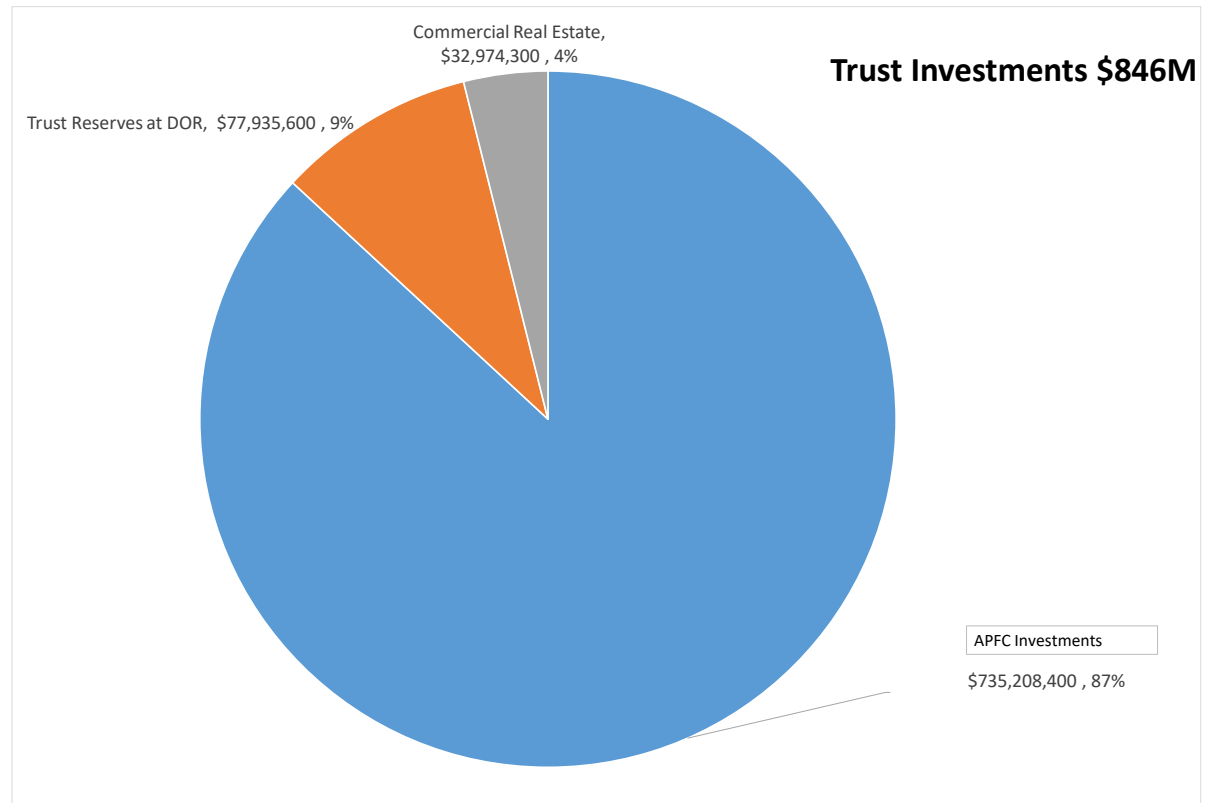
Available Reserves as % of FY25 Payout	432%
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Amount Above (Below) Target	10,272,600
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FY25 payout	32,398,600
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Cash Managed by DOR (GeFONSI)

Trust Authority Development (Principal) Account	1,502,069
TLODA	6,556,123
Central Facility Fund Avail Bal	1,756,270
DOR Operating Funds*	67,785,670
Total	77,600,132



FY2027 Revenue Estimate

Four Year Averaging of APFC & DOR Budget Reserves & APFC Principal

Net Asset Values:

Ending

% of revenue

FY 2021 766,169,400

FY 2022 736,377,000

FY 2023 \$ 756,914,400

FY 2024 788,591,800

Average: 762,013,150

Multiply by spending rate: 4.5%

Annual Payout Disbursement Calculation:

\$ 34,290,600 77%

Additional Revenue:

Lapsed Appropriations:

Term Year 2023 3,580,000

Term Year 2024 3,170,000

Average: 3,375,000 8%

TLO Spendable Income:

FY 2023 3,897,600

FY 2024 4,694,700

Average: 4,296,200 10%

Cash Management Interest:

Estimate

FY 2025

2,440,000 5%

Misc Revenue(FY25)

Estimate

200,000

Base Subtotal

\$ 44,601,800 100%

Unobligated Prior Year Funds (FY26):

1,667,000

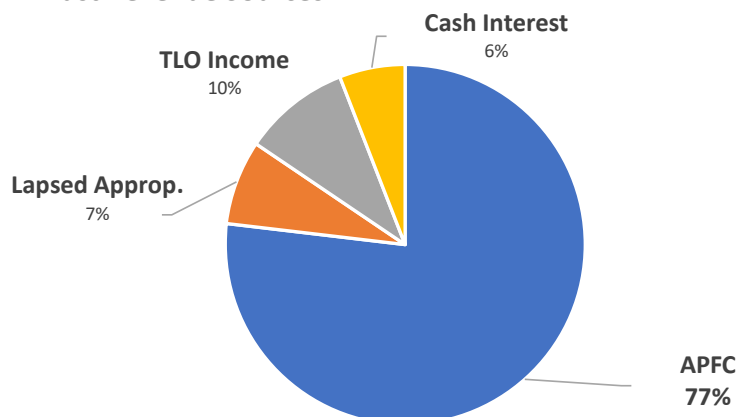
Estimated Total Available Funding FY27

\$ 46,268,800

FY27 Budget Est. in prior year

\$ 37,953,500

FY27 Trust Revenue Sources



To: John Morris, Chair, Finance Committee
Through: Mary Williams, Chief Executive Officer
From: Julee Farley, Chief Financial Officer
Date: August 1, 2025
Re: Budget Reserves Set Aside Removal

REQUESTED MOTION:

The Finance Committee recommends the removal of the \$3,655,000 set aside of Budget Reserves which was approved by the Board of Trustees on November 14, 2018, for Program Related Investment.

BACKGROUND

In November 2018, Trustees approved a Budget Reserve allocation of \$3,655,000 for two program related investments, including the possible acquisition of a facility to house crisis stabilization services in Anchorage and acquisition of a facility to house beneficiary directed peer support organizations serving Trust beneficiaries in Anchorage. Preliminary plans were to work with key partners to develop these investment options and present recommendations for Trustee approval in the future. The Trust Authority staff, Trustees and TLO worked closely with the leadership and board members of two Trust funded non-profits funded through the Trust's Beneficiary Project's Initiative. See the attached 2018 approval memo for additional detail.

At the current time, the project is not under active development. With Trustee direction, staff can develop the investment options for future consideration. By removing this set aside, there will be a \$3,655,000 increase to the available Budget Reserves to meet the target of 400% of the annual withdrawal.

MEMO

To: Mary Jane Michael, Chair, Alaska Mental Health Trust Authority
Through: Mike Abbott, Chief Executive Officer
From: Katie Baldwin-Johnson, Senior Program Officer
Date: November 14, 2018
Re: **Program related investment Budget Reserve Allocation**

REQUESTED MOTION:

Approve the allocation of \$3,655,000 from the Trust Budget Reserve for program related investments, including Crisis Stabilization Center and Beneficiary/Peer Support Services Facility. These funds will be set aside and additional Trustee authorization will be required for expenditures.

DESCRIPTION

Staff recommends this allocation for two key program related investments, including the possible acquisition of a facility to house crisis stabilization services in Anchorage and acquisition of a facility to house peer support organizations serving trust beneficiaries in Anchorage. Staff will work with key partners to develop these investment options and present recommendations for Trustee approval in the future.

Crisis Stabilization Services

The Trust and key stakeholders impacted by the gaps in the crisis services continuum for beneficiaries have prioritized the need for crisis stabilization services. Crisis stabilization services are effective in addressing the needs of individuals in mental health or substance use crisis by deescalating the severity of an individual's level of distress in secure/safe psychiatrically supervised/medically managed environments lowering rates of hospital and emergency room admissions and unnecessary admissions to Alaska Psychiatric Institute (API).

The Trust is positioned to work with the Department of Health and Social Services (DHSS), other stakeholders, including those stepping forward to provide this service, to select and purchase a facility to locate crisis stabilization services. Trust ownership of the facility would substantially reduce the operational cost and establish a foundation for the service in Anchorage.

Beneficiary/Peer support services facility

Over the last several years the Trust Authority and Trust Land Office have been working to identify a facility that could provide a new program home for Trust/DHSS funded

beneficiary directed, peer support organizations that provide drop-in engagement and comprehensive community based services to Trust beneficiaries. We are continuing to explore facility options as promising opportunities arise and are seeking trustee support to consider utilizing a portion of set aside reserves for the purchase of a facility when a useful opportunity presents itself.

The beneficiaries served by these organizations are challenging to engage and serve effectively in traditional mental health or social service agencies. Co-location of services in one facility provides opportunities to find efficiencies and to build out a stronger, smoother connection for a more effective continuum of care, each important aspects of long term sustainability. Beneficiaries will benefit directly from being able to access services in one location, to build relationships through primary engagement services and link to additional treatment, services and supports. The Trust is striving to create stability for these needed services and improve access overall for beneficiaries experiencing mental illness, substance use and other cognitive disabilities residing in Anchorage.

MEMO

To: John Morris, Finance Committee Chair
Thru: Mary Wilson, Chief Executive Officer
From: Julee Farley, Chief Financial Officer
Date: August 1, 2025
Re: FY 26 Trust Budget Amendments

Background

Each year Trustees consider amendments to the following year trustee approved budget, typically during the August full board meeting. This memo outlines proposed amendments to the FY26 board approved budget and outlines three separate motions with further explanation below.

REQUESTED MOTION 1:

The Finance Committee recommends that the full Board of Trustees ratifies the Legislature's FY26 MHTAAR and MHT Admin budget amounts as appropriated and therefore increases previous FY26 Trustee authorization by \$440,200.

BACKGROUND

Trustees approved \$21,060,200 in MHTAAR and MHT Admin funds for the FY2026 Mental Health Budget Bill. The legislature appropriated \$440,200 in additional MHTAAR and MHT Admin funds. These additional funds were appropriated to account for salary, health insurance and PERS adjustments. The Trust staff request that the Finance Committee recommend that the full board of trustees approve the additional MHTAAR and MHT Admin funds as detailed in the below table.

Agency	Trustee Approved FY26 Budget	Amount Over / (Under) Trustee Approved FY26 Budget	Legislature Approved FY26 Budget
(DOA) Public Guardian Position & Public Guardian Position – OCS Transition	\$229,500	\$18,200	\$247,700
(DEED) Trauma Engaged Schools PBIS Coaching	\$130,000	\$6,100	\$136,100
(DOH) Zero Suicide	\$62,500	\$4,300	\$66,800
(DOH) ABADA/AMHB Joint Staffing	\$491,500	\$28,300	\$519,800
(DOH) Pediatric Mental Health Care Access Program	\$171,600	\$8,000	\$179,600
(DOH) Adult Protective Services III	\$75,000	\$7,000	\$82,000
(DOH) ACoA Staffing	\$200,000	\$11,500	\$211,500
(DOH) GCDSE Joint Staffing	\$225,000	\$14,200	\$239,200
(DOH) Agency Unallocated Appropriation	\$0	\$700	\$700

(DFCS) Complex Care Program Coordinators	\$400,000	\$9,400	\$409,400
(DOL) Alaska Health Workforce Profile	\$25,000	\$1,000	\$26,000
(DNR) Trust Land Office	\$5,556,600	\$165,000	\$5,721,600
(DOR) Trust Authority Office (MHT Admin)	\$5,306,800	\$166,500	\$5,473,300

REQUESTED MOTION 2:

The Finance Committee recommends that the full Board of Trustees amend the FY26 budget to move \$30,000 from the FY26 Rural & Community Outreach line to a new line for Conference/Sponsorships.

Description: Staff are proposing to allocate funds for conference sponsorships. These funds will be administered through sponsorship agreements vs. small grant awards, as has been the previous method. Funds will support up to 12 beneficiary-related conferences at a sponsorship level not to exceed \$2,500 per event. The Chief Communications Officer will administer these funds as part of the Trust's communications efforts.

Analysis: Staff recommend this new approach to Trust support for conferences because it is thought that a conference sponsorship agreement better reflects the way trust funds are being used to support these events. Conferences are typically simple, one-time events, vs longer-term beneficiary serving projects supported through grantmaking. Conferences supported through these funds will focus on Trust beneficiary-related topics, and/or the beneficiary workforce. Serving as a conference sponsor is a relatively easy and low-cost way to increase Trust's visibility and positive perception, and to introduce our organization to new potential grantees and partners. Further, conference sponsorship serves as a tool in the Trust's communications strategy.

Note: The Trust will, at times, play a larger role in funding and/or helping to plan select partner conferences; those situations will be handled via the normal trustee grant approval process.

REQUESTED MOTION 3:

The Finance Committee recommends that the full Board of Trustees amends the FY26 budget to remove the following unallocated budget lines:

- *Comprehensive Program Planning & Consultative Services*
- *Treatment Access and Recovery Supports*
- *Crisis Continuum of Care*
- *HCBS System Sustainability*
- *SHARP Access*
- *Evidence Based and Promising Employment and Engagement Practices*
- *Screening & intervention for infants, children and youth, or their families*
- *Infant, Early Childhood & Youth Mental Health Capacity Building*
- *Improve social determinants of health for children, youth, and their families*
- *Foster Care, Child Welfare, and Kinship Programs*

These ten budget lines, totaling \$7,165,000 will be removed from the budget and the funds will be added to a new budget line named Trust Focus Area Strategy Implementations. The total budget amount for FY26 will remain unchanged.

Description: The FY26 budget as approved by Trustees on August 29, 2024, contains 13 budget lines of unallocated funding, commonly referred to as “buckets”, that total \$9,115,000.

This motion will eliminate ten of these budget lines, totaling \$7,165,000, and transfer the funding to a new budget line, Trust Focus Area Strategy Implementation. All grants allocated from this new budget line will be approved by the full board of Trustees following review by the Program and Planning Committee.

The three remaining unallocated funding lines currently have pending grant requests to be considered by the board in August. Following these grant decisions, staff will be recommending that any remaining unallocated funding from these three lines be moved to the Trust Focus Area Strategy Implementation line. This recommendation will be brought to the Finance Committee in October and the full board in November.

Analysis: This motion is designed to simplify the FY26 budget, in that it reduces the number of unallocated budget lines from 13 to 4. Three of the remaining unallocated funding lines will be recommended for consolidation at the November board meeting. As all grants are approved by the full board of Trustees, this action will increase the flexibility of the staff to recommend projects to the board and is anticipated to help mitigate the potential lapse of Authority Grant funds.

Funding lines requested to be consolidated in August 2025

<i>FY26 Budget Unallocated Item</i>	FY26 Amount
<i>Comprehensive Program Planning & Consultative Services</i>	\$350,000
<i>Treatment Access and Recovery Supports</i>	\$1,000,000
<i>Crisis Continuum of Care</i>	\$3,975,000
<i>HCBS System Sustainability</i>	\$150,000
<i>SHARP Access</i>	\$400,000
<i>Evidence Based and Promising Employment and Engagement Practices</i>	\$200,000
<i>Screening & intervention for infants, children and youth, or their families</i>	\$250,000
<i>Infant, Early Childhood & Youth Mental Health Capacity Building</i>	\$325,000
<i>Improve social determinants of health for children, youth, and their families</i>	\$265,000
<i>Foster Care, Child Welfare, and Kinship Programs</i>	\$250,000
Total	\$7,165,000

Funding lines anticipated to be consolidated in November 2025, following individual grant considerations at August 2025 board meeting

<i>FY26 Budget Unallocated Item</i>	FY26 Amount
<i>Mental Health Advocacy, Support, Education, and Public Awareness</i>	\$400,000
<i>Clubhouse Support for Rehabilitation and Recovery</i>	\$800,000
<i>Beneficiary Housing Projects and Related Services</i>	\$750,000
Total	\$1,950,000

Alaska Mental Health Trust Authority
FY26 Budget - Amendment 1 8/28/2025
(amounts in thousands)

Budget Category	Total FY26 (MHT Admin/MHTAAR/AG) 8/29/2024	MHTAAR/MHT Admin	MHTAAR Increase/Decrease 8/28/2025	Authority Grant Funds	Authority Grant Increase/Decrease 8/28/2025	Total FY26 (MHT Admin/MHTAAR/AG) Updated 8/28/2025	GF/MH Recommendations
Trust/TLO Operating Budgets (MHT)	11,194.9	10,863.4	331.5	-	-	11,526.4	-
Non-Focus Area Allocations (NFA)	7,211.2	1,356.5	54.7	5,800.0	6,815.0	14,080.9	1,394.0
Mental Health & Addiction Intervention Focus Area (MHAI)	7,057.7	1,449.5	20.7	5,587.5	(4,975.0)	2,103.4	750.0
Disability Justice Focus Area (Justice)	3,620.6	2,365.9	18.2	1,236.5	-	3,638.8	50.0
Beneficiary Employment & Engagement Focus Area (BEE)	675.0	275.0	-	400.0	-	675.0	-
Housing and Home & Community Based Services Focus Area (H&HCBS)	4,318.3	2,123.3	-	2,195.0	(150.0)	4,168.3	6,045.0
Workforce Development Priority Area (Workforce)	2,241.0	1,415.0	1.0	825.0	(600.0)	1,642.0	700.0
Early Childhood & Youth Priority Area (Early Childhood	3,301.0	1,211.6	14.1	2,075.3	(1,090.0)	2,225.1	-
FY27 Subtotals	39,619.7	21,060.2	440.2	18,119.3	-	40,059.9	8,939.0

FY26 Spending Changes	
Amendment # 1 August 28, 2025	440.2

Signature

Date:

Project Title	Dept/RDU/Component	Operating (O) or Capital (C)	Focus/Priority Area	MHT Admin/ MHTAAR approved 8/29/2024	Increase/Decrease 8/28/2025	MHT Admin/MHTAAR updated amounts	GF/MH Recommendation
Trust Authority MHT Agency Budget	DOR	O	MHT	5,306.8	166.5	5,473.3	-
Trust Land Office Agency Budget	DNR	O	MHT	5,556.6	165.0	5,721.6	-
Trust Authority & Trust Land Office Subtotal				10,863.4	331.5	11,194.9	
ABADA/AMHB Joint Staffing	DOH/DBH/AMHB-ABADA	O	NFA	491.5	28.3	519.8	-
GCDSE Joint Staffing	DOH/DSDS/GCDSE	O	NFA	225.0	14.2	239.2	-
ACoA Staffing & Support	DOH/DSDS/ACoA	O	NFA	200.0	11.5	211.5	-
Scorecard Update	DOH/DPH/HAVRS	O	NFA	70.0	-	70.0	-
DOH Comprehensive Program Planning	DOH/DPH/Emergency Programs	O	NFA	75.0	-	75.0	-
Beneficiary Mental Health Data Collection	DOH/DPH/CDPHP	O	NFA	45.0	-	45.0	-
Coordinated Community Transportation	DOTPF/Program Development Alaska Transit Office	C	NFA	-	-	-	1,000.0
Essential Program Equipment	DOH/SDS	C	NFA	250.0	-	250.0	250.0
Long Term Care Ombudsman	DOR	O	NFA	-	-	-	144.0
Agency Unallocated Appropriation	DOH	O	NFA	-	0.7	0.7	144.0
Non Focus Area Subtotal				1,356.5	54.7	1,411.2	1,394.0
Behavioral & Physical Health Care Integration	DOH/DBH	O	MHAI	75.0	-	75.0	-
Crisis Call Center	DOH/DBH	O	MHAI	750.0	-	750.0	750.0
Zero Suicide Initiative	DOH/DBH	O	MHAI	62.5	4.3	66.8	-
Statewide Designation, Evaluation, Stabilization & Treatment Coordinator	DFCS - Department Support Services	O	MHAI	87.0	-	87.0	-
Complex Care Program	DFCS - Department Support Services	O	MHAI	400.0	9.4	409.4	-
Adult Protective Services	DOH - SDS	O	MHAI	75.0	7.0	82.0	-
Mental Health & Addiction Intervention Subtotal				1,449.5	20.7	1,470.2	750.0
Alaska Justice Information Center	UAA/Anchorage Campus	O	Justice	225.0	-	225.0	-
Trust Beneficiaries in Alaska Department of Corrections - Study	DOC/HARS	O	Justice	400.0	-	400.0	-
Public Guardian Position	DOA/OPA/Public Guardian	O	Justice	138.0	18.2	156.2	-
Public Guardian Position - OCS Transition	DOA/OPA/Public Guardian	O	Justice	91.5	-	-	-
Crisis Intervention Team/Behavioral Health training and Programs for First Responders-AK State Troopers	DPS - AK State Troopers	O	Justice	50.0	-	50.0	50.0
Crisis Intervention Team/Behavioral Health training and Programs for First Responders-AK Police Standards Council	DPS - AK Police Standards Council	O	Justice	80.0	-	80.0	-
Training for DOC Mental Health Staff	DOC/Inmate Health/Behavioral Health Care	O	Justice	50.0	-	50.0	-
Criminal Justice Sequential Intercept Model Convening	UAA/CHD	O	Justice	105.0	-	105.0	-
Interpersonal/Violence Prevention for Beneficiaries	UAA/CHD	O	Justice	50.0	-	50.0	
Centralized Competency Calendar Project Manager	ACS/Therapeutic Courts	O	Justice	158.3	-	158.3	-
Holistic Defense	DOA/PDA	O	Justice	126.4	-	126.4	-
Occupational Therapist in DJJ Youth Facilities	DFCS/DJJ/Bethel & Fairbanks Youth Facility	O	Justice	100.0	-	100.0	-
Trauma Treatment for Incarcerated Women	DOC/Inmate Health/Behavioral Health Care	O	Justice	150.0	-	150.0	-
Addressing Comorbid Health and Addiction Issues Prominent Within Severe and Persistent Mentally Ill Populations	DOC/Inmate Health/Behavioral Health Care	O	Justice	151.7	-	151.7	-
APIC Discharge Planning Model in DOC	DOC/Inmate Health/Behaviorial Health Care	O	Justice	290.0	-	290.0	-
DOC Discharge Incentive Grants	DOR/AHFC	O	Justice	200.0	-	200.0	-
Disability Justice Subtotal				2,365.9	18.2	2,292.6	50.0
Beneficiary Employment Technical Assistance and Planning	UAA/CHD	O	BEE	75.0	-	75.0	-
MicroEnterprise	UAA/CHD	O	BEE	200.0	-	200.0	-
Beneficiary Employment & Engagement Subtotal				275.0	-	275.0	-
Rural Housing Coordinator-Ketchikan	DOR/AHFC	C	H&HCBS	135.0	-	135.0	-
Special Needs Housing Grant	DOR/AHFC	C	H&HCBS	200.0	-	200.0	1,750.0
Homeless Assistance Program	DOR/AHFC	C	H&HCBS	950.0	-	950.0	2,850.0
Brain Injury Council of Alaska Staff	UAA/CHD	O	H&HCBS	105.0	-	105.0	-
Care Coordination Liaison	DOH/SDS	O	H&HCBS	89.3	-	89.3	-
Home Modifications & Upgrades	DOH/SDS	C	H&HCBS	-	-	-	1,150.0
Environmental Modifications Improvement	DOH/SDS	O	H&HCBS	94.0	-	94.0	-
"No Wrong Door" Coordinated Access to Services	DOH/SDS	O	H&HCBS	300.0	-	300.0	-
Person Centered Transportation	DOH/SDS	C	H&HCBS	250.0	-	250.0	-
Aging and Disability Resource Centers	DOH/SDS/Senior Community Based Grants	O	H&HCBS	-	-	-	250.0
Develop targeted outcome data	DOH/SDS	O	H&HCBS	-	-	-	45.0
Housing and Home & Community Based Services Subtotal				2,123.3	-	2,123.3	6,045.0
The Alaska Training Cooperative	UAA/CHD	O	Workforce	685.0	-	685.0	300.0
UAA School Psychology Program	UAA/CAS	O	Workforce	200.0	-	200.0	-
Peer Support Certification	DOH/DBH	O	Workforce	50.0	-	50.0	-
SHARP Support	DFCS/API	O	Workforce	-	-	-	200.0
Individual Placement & Supports (IPS) Capacity Building	DOH/DBH	O	Workforce	30.0	-	30.0	-
Alaska Workforce Profile	DOLWD / Administrative Services Division	O	Workforce	25.0	1.0	26.0	-
Direct Support Professional Training/Professional Development	DOH/SDS	O	Workforce	200.0	-	200.0	200.0
Alaska Area Health Education Centers	UAA AHEC	O	Workforce	150.0	-	150.0	-
Supported Employment Workforce	UAA/CHD	O	Workforce	75.0	-	75.0	-
Workforce Development Subtotal				1,415.0	1.0	1,416.0	700.0
Intensive At-Risk Early Intervention Services (Foster/Child Welfare Involved Families)	DOH/SDS/EIILP	O	Early Childhood	460.0	-	460.0	-
ILP Statewide Equity Project	DOH/SDS/EIILP	O	Early Childhood	300.0	-	300.0	-
Pediatric Mental Health Care Access Program	DOH/SDS/EIILP	O	Early Childhood	171.6	8.0	179.6	-
Trauma Engaged Schools PBIS Coaching	DOH/DPH/WCFH	O	Early Childhood	130.0	6.1	136.1	-
Family Services Training Center	DOH/DBH	O	Early Childhood	50.0	-	50.0	-
ACEs Data Linkage and Analysis	DOH/DPH/WCFH	O	Early Childhood	100.0	-	100.0	-
Early Childhood & Youth Subtotal				1,211.6	14.1	1,225.7	-

Project Title	Recipient	Focus/Priority Area	Authority Grant as approved 8/29/2024	Increase/Decrease 8/28/2025	Authority Grant updated amounts
Partnerships/Designated Grants	Unallocated Funding	NFA	2,000.0	-	2,000.0
Trust Focus Area Strategy Implementation	Unallocated Funding	NFA	-	7,165.0	7,165.0
Mini Grants for ADRD	Alzheimer Resource Agency	NFA	400.0	-	400.0
Mini Grants for beneficiaries experiencing mental illness, chronic alcoholism, substance use disorders & Intellectual and Developmental Disabilities	Information Insights - Allocated May 2025	NFA	1,500.0	-	1,500.0
Grant-writing technical assistance	Contract Services	NFA	300.0	-	300.0
Technical assistance for beneficiary groups & Trust initiatives	Contract Services	NFA	500.0	-	500.0
Communications	Contract Services	NFA	450.0	-	450.0
Comprehensive Progoram Planning & Consultative Services	Unallocated Funding	NFA	350.0	(350.0)	-
Conference/Sponsorships	Sponsorship Contracts	NFA	-	30.0	30.0
Rural & Community Outreach	Contract Services	NFA	130.0	(30.0)	100.0
Trust Conference	Contract Services	NFA	20.0	-	20.0
Programmatic Administration	Unallocated funding	NFA	150.0	-	150.0
Non Focus Area Subtotal			5,800.0	6,815.0	-
Crisis Continuum of Care	Unallocated funding	MHAI	3,975.0	(3,975.0)	-
Treatment Access & Recovery Supports	Unallocated funding	MHAI	1,000.0	(1,000.0)	-
Crisis Now Initiative Project Management Contract	Contract Services	MHAI	350.0	-	350.0
Fairbanks Crisis Now Coordinator	City of Fairbanks	MHAI	138.0	-	138.0
Ketchikan Crisis Now Coordinator	Ketchikan Wellness Coalition	MHAI	124.5	-	124.5
Mental Health & Addiction Intervention Subtotal			5,587.5	(4,975.0)	612.5
Crisis Intervention Team/Behavioral Health training and Programs for First Responders-Anchorage Police Department	MOA/Anchorage Police Department	Justice	50.0	-	50.0
DVSA Victim Transition Supports	Alaska Network for Violence & Sexual Assault	Justice	200.0	-	200.0
Flex Funds for Mental Health Courts (Anchorage, Juneau, Palmer, and PFIT)	Partners for Progress	Justice	229.5	-	229.5
Holistic Defense	AK Legal Services	Justice	277.0	-	277.0
Local re-entry coalition coordinator-Anchorage	Neighborworks	Justice	120.0	-	120.0
Local re-entry coalition coordinator-Mat-Su	Valley Charities	Justice	120.0	-	120.0
Local re-entry coalition coordinator-Juneau	JAMHI Health & Wellness	Justice	120.0	-	120.0
Local re-entry coalition coordinator-Fairbanks	City of Fairbanks	Justice	120.0	-	120.0
Disability Justice Subtotal			1,236.5	-	1,236.5
Mental Health Advocacy, Support, Education, and Public Awareness	Unallocated funding	BEE	400.0	-	400.0
Clubhouse Support for Rehabilitation and Recovery	Unallocated funding	BEE	800.0	-	800.0
Peer Supported Advocacy, Education, and Treatment	Alaska Youth & Family Network	BEE	200.0	-	200.0
Beneficiary Employment & Engagement Subtotal			400.0	-	1,400.0
IDD System Capacity Development	Alaska Association on Developmental Disabilities	H&HCBS	45.0	-	45.0
Alaska Dementia Action Collaborative	Contract Services	H&HCBS	75.0	-	75.0
Affordable Housing Development Position	Juneau Housing First Collaborative	H&HCBS	75.0	-	75.0
HCBS System Sustainability	Unallocated funding	H&HCBS	150.0	(150.0)	-
Beneficiary Housing Projects & Related Services	Unallocated funding	H&HCBS	750.0	-	750.0
TABI Phasic Implementation Plan for Identification, Intervention, and Enhanced Community Infrastructure	Southcentral Foundation	H&HCBS	350.0	-	350.0
Gulf Coast TABI Expansion Project	Independent Living Center	H&HCBS	125.0	-	125.0
Home & Community Based Services Reform Contract	Contract Services	H&HCBS	150.0	-	150.0
Self Directed Home & Community Based Services	Independent Living Center	H&HCBS	300.0	-	300.0
ADRD Rural Outreach & Prevention	Alzheimer Resource Agency	H&HCBS	175.0	-	175.0
Housing and Home & Community Based Services Subtotal			2,195.0	(150.0)	2,045.0
SHARP Access	Unallocated funding	Workforce	400.0	(400.0)	-
Clincial Supervision Support	Alaska Behavioral Health Association	Workforce	200.0	-	200.0
Evidence Based and Promising Employment and Engagement Practices	Unallocated funding	Workforce	200.0	(200.0)	-
Alaska Psychology Internship Consortium	Western Interstate Commission for Higher Education	Workforce	25.0	-	25.0
Workforce Development Subtotal			825.0	(600.0)	225.0
Help Me Grow Alaska: Community Outreach, Care Coordination & Dev Screening	All Alaska Pediatric Partnership	Early Childhood	150.0	-	150.0
Youth Brain Injury Program Coordinator	SERRC	Early Childhood	246.8	-	246.8
Screening & Intervention for Infants, Children or Youth & their Families	Unallocated funding	Early Childhood	250.0	(250.0)	-
Reimagining Child Welfare Project	Alaska Impact Alliance	Early Childhood	350.0	-	350.0
Infant, Early Childhood & Youth Mental Health Capacity Building	Unallocated funding	Early Childhood	325.0	(325.0)	-
Early Childhood Center-Based Mental Health Consultation	Rural Alaska Community Action Program	Early Childhood	88.5	-	88.5
Foster Care, Child Welfare, and Kinship Programs	Unallocated funding	Early Childhood	250.0	(250.0)	-
Improve Social Determinants of Health for Children, Youth, and their Families	Unallocated funding	Early Childhood	265.0	(265.0)	-
Kinship Foster Caregiver Support	Volunteers of America - Alaska	Early Childhood	150.0	-	150.0
Early Childhood & Youth Subtotal			2,075.3	(1,090.0)	985.3

To: John Morris, Finance Committee Chair
Through: Mary Wilson, Chief Executive Officer
From: Julee Farley, Chief Financial Officer
Date: August 1, 2025
Re: Annual payout transfer
Fiscal Year: 2026

REQUESTED MOTION:

The Finance Committee recommends that the full board of trustees authorize the transfer of \$30,253,297 from the Alaska Permanent Fund Corporation Budget Reserve account to the Mental Health Settlement Income Account to finance the FY2026 Budget. The CFO may fulfill this motion with one lump sum or multiple transfers, and the full transfer must be made prior to June 30, 2026. The CFO will report to the Finance Committee when transfer(s) are made.

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 FY26 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	756,914,074
Average:	711,842,275
	x 4.25%
Payout disbursement calculation (rounded):	30,253,297

Budget reserves under APFC management are sufficient to support this FY2026 payout.

To: John Morris, Finance Committee Chair
Thru: Mary Wilson, Chief Executive Officer
From: Julee Farley, Chief Financial Officer
Date: August 1, 2025
Re: FY27 Trust Authority Office MHT Agency Budget Request

REQUESTED MOTION:

The Finance Committee recommends that the full Board of Trustees approve the FY27 Trust Authority Office MHT Agency budget of \$5,771,800.

BACKGROUND

Staff presents the proposed FY27 Trust Authority Office Agency budget based on anticipated activity levels of the Trust. Trust staff requests that the Finance Committee recommend that the full Board of Trustees approve the MHT Agency funds as detailed in the attached document.

The FY27 proposed budget reflects a net increase of \$298,500, or 5%, over the FY26 Trust Authority Office MHT Agency budget.

The table below outlines the primary drivers of the year-over-year budget changes:

Budget Line	FY2027 Proposed Budget Above / (Under) FY2026 Mgmt Plan	Primary Year-Over-Year Component Changes
Personal Services (line 1000)	\$170,400 5%	FY2027 includes merit increases. Not reflected are potential PERS and Health Insurance increases over FY26 rates or COLA included in SB 259
Travel (line 2000)	\$0 0%	FY2027 reflects a flat budget
Services (line 3000)	\$122,300 12%	FY2027 reflects an increase over FY26 driven primarily by increasing costs and usage for services
Supplies (line 4000)	\$5,800 11%	FY2027 costs are anticipated to increase due to planned computer replacements

The proposed FY27 MHT Agency budget is affected by changes made to the Trust's FY26 budget; specifically the passage of SB 259 that provided for salary increases in FY25, FY26 and FY27 has increased salaries include in Personal Services. The FY27 MHT Agency budget does not include any provision for potential adjustments to PERS or health insurance costs which won't be known until next year. Also not reflected is any FY27 salary increase resulting from

SB259 which won't be known until next year. If the Legislature approves FY27 budgets with increases in state employee benefit costs, Trustees will be requested to ratify the increases along with the increase from SB 259.

The Travel line remains flat relative to the FY26 budget. This line includes travel for staff and Trustees and will be used for anticipated Trustee meetings and site visits as well as necessary staff travel.

Within Services, thoughtful budget choices have been made to control costs. Anticipated increases to Interagency Services, which comprise approximately 1/3 of the category's budget, is the primary driver of the increase to this budget category. It is important to note that Interagency Services, which are not controllable, will be reevaluated by the Office of Management and Budget (OMB) later this fiscal year and are uncertain. Some costs within the category may decline, and others may increase.

Supplies, as with Services, were carefully reviewed to control costs. The FY27 plan reflects spending levels increasing due to planned computer replacements and increased costs.

	A	B	C	D	E	F	H	I
1	MENTAL HEALTH TRUST AUTHORITY OFFICE							
2	FY2027 Agency Budget							
3								
4								
5	EXPENDITURES	FY25 Estimated Actual(as of 6/16/25)	FY26 Trustee Approved	FY26 Management Plan	Proposed FY27	FY26-FY27 % Change		
6	1000 Personal Services	3,704,200	\$ 4,100,000	\$ 4,291,100	\$ 4,461,500	4%		
7	Personal Services	3,629,045	4,032,841	4,213,928	4,384,350	4%		
8	cell phones	2,160	2,160	2,160	2,160	0%		
9	Honorarium	73,000	65,000	75,000	75,000	0%		
10	2000 Travel	80,200	116,000	71,000	71,000	0%		
11	3000 Services	1,137,600	1,011,800	1,060,000	1,182,300	12%		
12	4000 Supplies	49,400	79,000	51,200	57,000	11%		
13	5000 Equipment	20,201	-	-	-			
14	Total	4,991,601	\$ 5,306,800	\$ 5,473,300	\$ 5,771,800	5%		
15								
16	Full Time Employees	17	17	17	17			
17								
18								
19								
20	FY2027 Proposed:							
21	\$5,771,800							
22								
23								
24								
25								



To: John Morris, Chair
Finance Committee
Thru: Mary Wilson, Chief Executive Officer
From: Jusdi Warner, Executive Director
Date: 8/1/2025
Re: FY27 Agency Budget – Item 1
Fiscal Year: 2027
Amount: \$6,278,300

Approval

Proposed Finance Committee Motion:

“The Finance Committee recommends that the Alaska Mental Health Trust Authority board of trustees approve the Trust Land Office agency budget for FY27 in the amount of \$6,278,300

Background:

The Trust Land Office (TLO) seeks the recommendation of the Finance Committee for the FY27 agency budget. The TLO develops an annual operating budget request based on anticipated activities and staffing requirements. Please see Exhibit 1 for a breakout of the proposed line items.

The proposed FY27 budget reflects a net increase of \$556,700 or 10% over the FY26 Management Plan budget.

The table below outlines the primary drivers of the year-over-year budget changes:

Budget Line	FY2027 Proposed Budget Over/(Under) FY2026 Mgmt. Plan	Year-Over-Year Component Changes
Personal Services (Line 1000)	\$93,400 3%	Merit increases/general staffing
Travel (Line 2000)	-	No Change
Services (Line 3000)	\$463,300 25%	Maintenance and operations expenses for Trust Authority Building and Cordova Building
Commodities	-	No change
Total	\$556,700 10%	

The proposed FY27 TLO budget does not include any estimates for changes in benefits such as PERS, health insurance, or COLA. Per SB259, there will be a yet-to-be determined COLA in FY27 based off CPI. The final amount will be calculated by OMB during the budget process. The Trust Authority will seek ratification of the final amount for both offices for FY27 similarly to what is being done for FY26. This budget request includes estimates for the costs related to merit increases and general staffing needs.

There is no anticipated increase in travel expenditures. Expenditures in this area support the TLO's active management of Trust land that includes stewardship and revenue generation. The TLO travel budget originally approved by trustees for FY26 was \$169,800. The TLO made reductions totaling \$50,800 in an effort to comply and show good faith with to the Administrative Order 358. The travel budget was further reduced, by \$10,500, after submission. In total, the TLO travel budget was reduced by \$61,300 from what was approved by trustees. The final FY26 travel budget is \$108,500 and this amount was carried forward into the FY27 budget request. The TLO is currently evaluating potential options to restore the full trustee-approved travel budget and will amend the budget request, if needed, for the finance committee.

Services expenditures include costs for private-sector consultants such as appraisals, surveys, and development, as well as economic development, software, and other operating expenses. The Services category also includes costs paid by the TLO to other State of Alaska offices for items such as IT support, legal services, and financial services. The increase in FY27 is due to the inclusion of operating expenses for the two buildings where the Trust Authority and Trust Land Office have their offices. The cost also includes maintenance and operations (M&E) for other tenants. HB 55 called for the inclusion of M&O costs for state agencies to conform to AS 37.07.020 (e). Currently these costs are offset by commercial real estate revenues as well as revenues generated from the Cordova building. In this budget the TLO is requesting the M&O for the Cordova building (where the TLO office is located), as well as M&O costs at the Trust Authority Building to provide office space and fund related costs for the Trust Authority. If this was not included in the TLO agency budget the agency budget would have reflected a \$339,090 decrease.

Supplies include typical office supplies such as computers as well as supplies related to field work such as signage and safety equipment.

Exhibit(s):

Exhibit 1 – FY27 Trust Land Office Budget Proposal

TRUST LAND OFFICE AGENCY BUDGET
FY27 Proposal

	FY25 Actuals	FY25 Mgmt Plan	FY26 Trustee Approved Budget	FY26 Mgmt Plan	FY27 Proposal	FY26-27 % Change
Expenditures						
1000 Personal Services ^{1,2}	3,172,657	3,778,200	3,892,500	3,719,500	3,812,900	3%
2000 Travel ³	132,902	169,800	169,800	108,500	108,500	0%
3000 Services ⁴	1,231,232	1,408,400	1,432,800	1,832,100	2,295,400	25%
4000 Supplies	68,530	60,700	61,500	61,500	61,500	0%
Total⁵	4,605,321	5,417,100	5,556,600	5,721,600	6,278,300	10%
Total FY27 Increase w/ PRRE Op Ex.⁷					556,700	
Total FY27 Increase w/o PRRE Op Ex.⁸					(339,090)	

Full Time Employees	19	19	19	17	17
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	FY25 Actuals	FY26 Trustee Approved Budget	FY26 Management Plan	FY27 Proposal	FY26-27 %Change
Revenue					
Principal	6,344,055	6,613,000	8,438,000	9,295,500	10%
Income	28,886,718	17,561,913	3,631,175	3,784,699	4%
Total⁶	35,230,774	24,174,913	12,069,175	13,080,199	8%

- (1) FY26 accounts for Governor's Budget adjustments and a vacancy factor.
(2) HB270 adds an increment of \$165,00.00 for Exempt employee COLA salary increases.
(3) FY26 and FY27 travel plans reduced due to Administrative Order 358.
(4) FY25 actuals include encumbered funds for ongoing projects.
(5) FY25 actual expenditures are not final until after re-appropriation ends August 31.
(6) FY25 income numbers are not final until the re-appropriation period ends August 31.
(7) FY27 expenses include \$895,800 in the Services line for operating costs for the Trust Authority building and Cordova building.
(8) The FY27 expense increase without the operating costs for the Trust Authority building and Cordova building.

FY26 TRUSTEE REQUEST:
\$6,278,300.00

TRAVEL		FY26 Approved	FY26 Mgmt Plan	Comments	FY27 Proposal	26-27 % Change
2000 TRAVEL						
INSTATE TRAVEL		\$137,377	\$108,500	Site inspection, revenue generation, resource development, compliance, risk mitigation, professional development	\$108,500	0%
OUT OF STATE TRAVEL		\$30,400	-	Revenue generation, resource development, professional development	-	-
TOTALS		\$167,777	\$108,500		\$108,500	0%

SERVICES	FY25 YTD as of 6/30/2025	FY26 Trustee Approved	FY26 Mgmt Plan	FY27 Proposal	FY25 Mgmt Plan to FY26 Difference
NON-INTERAGENCY SERVICES					
EDUCATION SERVICES	42,852	55,300	13,100	13,100	-
FINANCIAL SERVICES	142,165	85,000	305,000	75,000	(230,000)
LEGAL & JUDICIAL SVC	1,640	47,000	25,000	25,000	-
INFORMATION TECHNOLOGY	52,454	116,020	74,420	74,420	-
TELECOMMUNICATIONS	12,195	19,530	25,530	25,530	-
DELIVERY SERVICES	4,321	9,550	9,550	9,550	-
ADVERTISING/PROMOTIONS	14,865	27,000	21,000	21,000	-
STRUCTURE/INFRA/LAND	264,700	656,890	677,000	712,000	35,000
REPAIRS/MTCE-STRUCTURE	0	20,000	20,000	20,000	-
RENTALS/LEASES	2,208	9,400	6,900	6,900	-
EQUIPMENT/MACHINERY	295	1,500	1,500	1,500	-
OTHER SERVICES	3,848	45,000	312,490	75,000	(237,490)
PRRE REAL ESTATE OPERATING	0	0	0	895,837	895,837
INTERAGENCY SERVICES	184,986	340,610	340,610	340,610	-
TOTALS	726,528	1,432,800	1,832,100	2,295,447	463,347

COMMODITIES	FY25 YTD as of 6/30/2025	FY26 Trustee Approved	FY26 Mgmt Plan	FY27 Proposal	FY26 Mgmt Plan to FY27 Difference
BUSINESS	37,773	44,705	44,705	44,705	0%
HOUSEHOLD/INSTITUTNL	4,918	4,000	4,000	4,000	0%
SAFETY	1,161	3,500	3,500	3,500	0%
REPAIR/MAINTENANCE (Maintain)/EQUIPMENT	3,105	9,275	9,275	9,275	0%
TOTALS	46,957	61,480	61,480	61,480	0%

August 1, 2025



Alaska Mental Health Trust Authority

Asset-Spending Study – Phase 2
Asset Management Policy Statement
and Inflation Proofing

Steve Center, CFA
Fund Sponsor Consulting

Julia Moriarty, CFA
Capital Markets Research

Important Disclosures regarding the use of this document are included at the end of this document. These disclosures are an integral part of this document and should be considered by the user.

Introduction

Presenters



Steve Center, CFA

- 15th year with Callan, 27th Year in the industry
- Senior Vice President, West Coast Consulting Team
- Callan Shareholder
- Manager Search Committee Member
- MBA, University of Washington



Julia Moriarty, CFA

- 35th year with Callan, 35th Year in the industry
- Senior Vice President, Co-Manager of Capital Markets Research
- Callan Shareholder
- MBA, UC Berkeley

Agenda

- Executive summary
- Background
- Asset Management Policy Statement review
 - Trust Land Office Development Account performance measurement metrics
 - Investment guideline monitoring process
 - Cash management strategy
- Allocation of Budget Reserve between APFC and DOR
- Inflation Proofing Discussion
- Conclusions and recommendations

Executive Summary

- The Alaska Mental Health Trust Authority (the Trust) had approximately \$1.0 billion in assets at June 30, 2024 (starting point for this analysis) with assets segregated into five main buckets managed by four different entities
 - Alaska Permanent Fund Corporation (APFC)
 - Department of Revenue (DOR) Budget Reserve account
 - General Fund and Other Non-Segregated Funds (GeFONSI) – managed by the DOR
 - Trust Land Office (TLO) – manages both lands and developed land-related projects
 - Commercial Real Estate (CRE) investments, now managed by the CEO
- The current structure of the Trust is complicated with multiple portfolios managed by different entities, an intricate flow of funds between the various accounts and accounting items within the funds, and a complex spending policy
- The study is broken into two phases
 - Phase 1 analyzed the Trust’s investment program from a number of different angles with recommendations made with respect to the spend rate, reserve level, inflation proofing, and cash management, along with a review of the Investment performance and realized risk of the APFC, DOR, and the Commercial Real Estate (CRE) investments managed by the TLO
 - Phase 2, continued here, will address the Asset Management Policy Statement (AMPS), asset allocation and rebalancing, investment guidelines and monitoring criteria for internal and external managers, and performance measurement for TLO capital projects

Phase 2 recommendations

- Review proposed revisions to the Asset Management Policy Statement
 - Guideline and monitoring criteria for internal and external managers, performance monitoring criteria for projects funded by the TLODA, cash management best practices
- Review Callan’s proposal from Phase 1: Even split of 400% annual payout reserve policy between APFC & DOR
 - Consider updating the split from 50%/50% to 75% DOR/25% APFC as a diversification and derisking measure
- Review the Trust’s inflation proofing methodology and status

Asset Management Policy Statement

Recommended Revisions/Additions

Asset Management Policy Statement

Recommended “Best Practices” for Structure

- An investment policy statement should reflect each organization’s legal requirements and their particular approach to the investment program
- Length can vary greatly; it should say what your Board/Committee wants to communicate to its intended audience
- Avoid “thou shalt” statements to give the committee flexibility to apply a set of beliefs to changing circumstances
- Multiple intended audiences
 - Managers
 - Consultants
 - Trustees
 - Staff
 - Beneficiaries
 - Regulatory authorities
- Qualified legal counsel should review the investment policy statement

Recommendations for Investment Policy Statement Sections

What to Define and Include

- The asset pool
- The relevant parties (board, investment committee, staff, managers, consultants, custodians, etc.) and their respective responsibilities
- The risk/return/target allocation goals and objectives, as well as the process and timing for reviewing those objectives
- General investment guidelines where applicable
- Oversight/monitoring process
- Hire/fire process
- Special sections—spending policies, permitted or prohibited investments, etc.
- Review/oversight/approval process for investment policy statement changes
- **Most important:** Recognize that the investment policy statement should be an honest appraisal of what is required to effectively manage the asset pool of YOUR organization
- The worst thing to do is to build an overly complex, aspirational investment policy statement that doesn't reflect your process and then **NOT** follow it

Proposed Revisions to the Asset Management Policy Statement

High-Level Formatting and Structure

Callan recommends the following high-level structural revisions to the AMPS:

- Capitalizing all entities that are treated as proper nouns in the AMPS (such as “Board of Trustees,” “Executive Committee” and “Finance Committee”)
- Defining all acronyms used in the AMPS, with acronyms in quotation marks upon first reference
- Unifying references to “AMHTA” and “the Board” where appropriate
- Updating some benchmark naming conventions
- Correcting footnote formatting to simplify any future revisions

Revisions to the Asset Management Policy Statement

Some Changes to the AMPS are Necessary

Due to changes to the Trust, the following revisions to the AMPS are necessary:

- Specify that the Commercial Real Estate (CRE) portfolio is now explicitly managed by the Trust's Chief Executive Officer, rather than the TLO. This results in numerous revisions throughout the AMPS.
- Clarify areas where third-party experts may be engaged, including:
 - Asset allocation and spending analysis
 - Management of CRE properties
 - Assistance with evaluating potential TLODA-funded projects

Additionally, a new Mission Statement may be considered during the August Strategic Planning Session. This will need to be inserted into the AMPS once developed and approved.

Additions to the Asset Management Policy Statement

High-Level Additions to the AMPS

The following revisions and additions have been proposed to the AMPS:

- Revise “Roles and Responsibilities” for the TLO Executive Director role—was previously a definition of the creation of the role itself
- Add a third asset management category, “Short-Term Cash,” to differentiate the SIA/TADA/TLODA balances from the Liquid and Non-Liquid asset categories
- Addition of a “Flow of Funds Diagram” to the AMPS appendix
- Alphabetize the “Definitions” section, add a definition for “Commercial Real Estate”

Proposed Additions to the Asset Management Policy Statement

Trust Land Office Development Account Investment Review

Callan recommends adding language to the AMPS regarding the evaluation of potential projects funded through the Trust Land Office Development Account (TLODA), per the fiduciary responsibility of the Board of Trustees:

- When evaluating potential TLODA projects, the proposals should be expected to generate increased value for the Trust and should compare favorably with the projected long-term total rate of return of the Alaska Permanent Fund Corporation.
- The overall risk of potential TLODA projects should be considered, including a thorough due diligence assessment of each proposed project. This includes legal, operational, and macroeconomic risk factors. Such reviews may involve engaging a third-party expert.
 - Legal reviews should focus on any regulatory or compliance constraints.
 - Operational risk factors may include a review of management quality, process efficiency, and overall market expertise.
 - Macroeconomic factors may include interest rate fluctuations, commodity price risk factors, market cycle positioning, and a review of any geopolitical risks.
 - Additional risks to consider include overall use of leverage, concerns around potential liquidity/exit strategies, and reputational risk factors for the Trust.

Proposed Additions to the Asset Management Policy Statement

Trust Land Office Development Account Investment Performance Metrics

Callan recommends adding language to the AMPS regarding ongoing performance measurement for the projects funded through the Trust Land Office Development Account (TLODA), per the fiduciary responsibility of the Board of Trustees:

- Regarding ongoing performance measurement and review, the use of private equity-style investment metrics such as internal rate of return (IRR), total value to paid-in capital (TVPI), and multiple on invested capital (MOIC) should be employed to evaluate TLODA projects on an ongoing basis. While different from the time-weighted rate of return calculations used by APFC, DOR, GeFONSI and the CRE portfolio, these metrics are better suited for the evaluation of illiquid investments.

Illustration of performance metrics for a project with a \$100* outlay, year one payout of \$5, year two payout of \$6, year three payout of \$8 and a \$95 valuation at end of year three:

- IRR: 4.7% - Calculates in Excel, goal is for this to exceed the required rate of return (APFC)
- TVPI: $(\text{Gross Distributions} + \text{Residual Value}) / \text{Capital Invested} = (\$5 + \$6 + \$8 + \$95) / \$100 = 1.14$
 - TVPI > 1.0 represents a project has thus far yielded a positive return on invested capital
- MOIC: $\text{Gross distributions} / \text{Capital Invested} = (\$5 + \$6 + \$8) / \$100 = 0.19$
 - Anticipation is for a project to have a MOIC > 1.0 once a project is completed

*This illustration does not include the value of any land or other non-cash assets that may be part of a project funded through TLODA. Consideration of the value of such non-cash assets would be necessary to more accurately evaluate the performance of TLODA projects.

Proposed Revision to the Asset Management Policy Statement

Trust Land Office Development Account Overall Project Size Cap

Regarding the size of overall capital allocated to TLODA-funded projects, the current AMPS details that the Board has established “\$8 million as the allocation to this account, representing approximately 1.5% of Trust liquid assets.” It is ambiguous as to if this cap refers to the size of the TLODA account itself or the size of overall investments funded by TLODA. Callan recommends clarifying this language and defining it as a simple percentage, though the Board will need to determine a maximum percentage cap:

- “TLODA-funded projects may involve real estate and natural resource development, investments that are illiquid or exposed to commodity price fluctuation. Accordingly, the Board has established a maximum allocation to projects funded from this account of **2.0%** of Trust assets, calculated as follows:

$$(\text{Net TLODA Investments}) / (\text{APFC Balance} + \text{DOR Budget Reserve Balance} + \text{Net TLODA Investments})$$

“Net TLODA Investments” is defined as the total amount invested from TLODA in TLO managed projects, less any funds returned from these projects up to the original investment amount. This amount does not become negative if returned capital from a project exceeds the initial cash outlay.”

Illustration of the TLODA allocation calculation assuming \$15M in TLODA investments, \$5M in cash returned from TLODA projects, \$750M in APFC and \$50M in DOR Budget Reserve:

- Current allocation is 1.2% : $(15-5) / (750+50+(15-5))$

Illustration of the TLODA allocation calculation assuming \$15M in TLODA investments, \$25M in cash returned from TLODA projects, \$750M in APFC and \$50M in DOR Budget Reserve:

- Current allocation is 0% : $(15-15) / (750+50+(15-15))$
- “Net TLODA Investments” does turn negative just because excess cash has been generated beyond the initial investment. In this example, the \$10M in excess cash returned from the projects is not considered.

Proposed Revisions to the Asset Management Policy Statement

Investment Guideline Monitoring

Callan recommends adding language to the AMPS regarding ongoing investment guideline monitoring for both internal and external mandates, including:

- Investment guideline and performance reviews conducted at least annually
- Any material deviations noted and monitored until corrected – no requirement to immediately correct a deviation caused by sudden market movements
- AMPS includes internet links for external mandate guidelines (APFC and GeFONSI)
- DOR Budget Reserve guideline creation process is summarized
- TLODA funded projects and CRE portfolio guidelines are fluid and based upon each project/investment, but require the TLO and CEO to present to the Board at least annually

Proposed Revisions to the Asset Management Policy Statement

Cash Management Procedures

Callan recommends adding language to the AMPS regarding formalizing a cash management process within the Trust in an effort to minimize “cash drag” on performance:

- Limits established for the various accounts utilizing GeFONSI:
 - Trust Authority Development Account (“TADA”) holds cash generated by TLO asset sales and royalty payments, ultimately transferred to APFC
 - Trust Land Office Development Account/Central Facility Fund (“TLODA”/“CFF”) targets a \$2 million balance for the CFF plus any funds approved by the Board for TLODA projects
 - Settlement Income Account (“SIA”) targets a balance equal to the current year’s withdrawal plus any residual undrawn balances from previous years

Reserve Balances

Review of Size and Split Between APFC & DOR

Reserve Level and Balances

Observations and Recommendation

This analysis reviews the recommendation of maintaining a reserve balance equal to 400% of the annual spending rate by first reviewing the impact of either raising or lowering the overall size of the reserve balance. The overall size of the reserve balance has little impact – as long as it is maintained between 300% and 500%, the probability of being able to meet spending always remains above 95%. A reserve balance equal to 400% of the annual spending rate remains prudent.

Additionally, we explore altering the allocation of the reserve balance from an equal split between APFC Budget Reserves and the DOR Budget Reserves account by examining various alternate mixes. Again, there is little difference in overall spending assurance with a variation in allocation between APFC Budget Reserves and the DOR Budget Reserves. However:

- The DOR Budget Reserves account is highly liquid and can easily handle potential cash needs
- There are potential limitations inherent in the APFC two-account model where the AMHTA Budget Reserves, which are part of the APFC Earnings Reserve Account (ERA) calculation, could face liquidity constraints under extreme market conditions

These two factors support moving from an equal split to one where $\frac{1}{4}$ is held at APFC Budget Reserves and $\frac{3}{4}$ is held in the DOR Budget Reserves account.

Recommendation: Maintain a 400% reserve balance, and alter the allocation from an equal split to 100% invested in APFC Budget Reserves and 300% invested in the DOR Budget Reserves

Reserve Level

- Focusing on the ten and twenty-year time horizons, the table below indicates reserve policies between 300-500% of spending are sufficient to ensure spending is met with a greater than 95% probability
 - The higher the reserve level the greater the probability that actual spending equals the targeted amount
 - In the scenarios where actual spending falls short of the targeted amount, it often occurs more than once over the projection period

Probability Actual Spending = Target Amount			
Projection Period	300% Reserve Level	400% Reserve Level	500% Reserve Level
10 Years	98.80%	98.80%	98.85%
20 Years	97.65%	98.20%	98.25%

- Focusing on the same time periods as above and a 400% total reserve level, the table below indicates there is little difference in spending assurance depending on where reserves are held
 - Moving reserves from the APFC Budget Reserves to the DOR leads to a greater the probability that actual spending equals the targeted amount

Probability Actual Spending = Target Amount			
Projection Period	300% APFC / 100% DOR	200% APFC / 200% DOR	100% APFC / 300% DOR
10 Years	98.65%	98.80%	99.05%
20 Years	97.50%	98.20%	98.30%

Expected Return and Risk for Budget Reserve Split Scenarios

Projected Return and Risk using Callan’s 2025 Capital Market Assumptions

Under the two Budget Reserve split scenarios (equal split between APFC and DOR vs. 100% at APFC and 300% at DOR), the 10-year projected mean return is very similar (7.27% versus 7.24%). Allocating more of the Budget Reserves to the DOR portfolio does slightly lower return expectations but does so with a lower risk profile (standard deviation falls from 12.47% to 12.31%).

	APFC	DOR Budget Reserves	50/50 Budget Reserves	25/75 Budget Reserves
10-Year Geometric Mean Return	7.33%	6.53%	7.27%	7.24%
Projected Standard Deviation	12.81%	9.48%	12.47%	12.31%

The above projections represent strictly the APFC and DOR Budget Reserve balances, and ignore the CRE assets, cash held in GeFONSI (SIA/TADA/TLODA), and the Trust Land Office activity.

Uses Callan’s 2025 Capital Market Assumptions, APFC’s FY 2026 Asset Allocation Targets (Effective 7/1/2025)

Inflation-Proofing Discussion

The “Two Account Structure” – Principal and Reserves

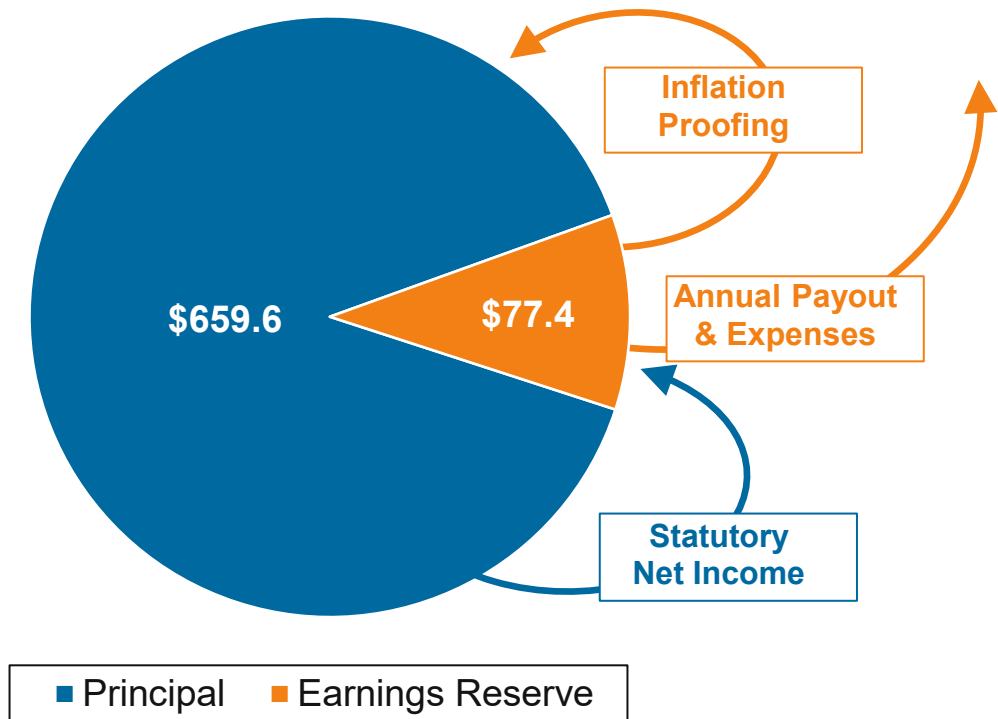
AMHTA balances held at APFC are subject to the Alaska Permanent Fund’s two-account structure, in which only income held in the Earnings Reserve Account (“ERA”) can be spent. This design protects the Principal from appropriation and spending. **The AMHTA Budget Reserve is analogous to the APFC Earnings Reserve**

Within the Permanent Fund, the ERA grows as investments generate Statutory Net Income (“SNI”). SNI includes dividends, interest, and lease payments, along with net realized gains/losses from asset sales. The ERA shrinks due to withdrawals for Trust payouts and expenditures.

Additionally, excess funds in the ERA can be used to “inflation proof” the Principal by appropriating funds from the ERA back to Principal. Inflation proofing helps to maintain the future purchasing power of the Principal.

AMHTA Balances at APFC

As of May 31, 2025 (in \$mm)

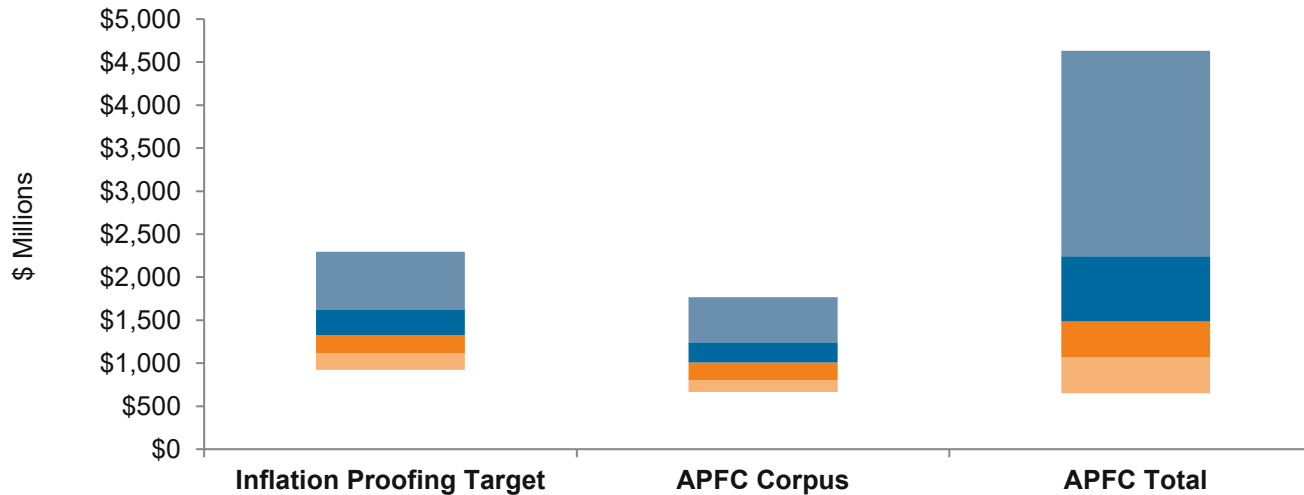


Annual Inflation Proofing Formula:

$(\text{Beginning Inflation-Proofed Balance} + \text{TLO Principal Inflows}) * \text{CPI-U}$

Note: CPI-U is the Consumer Price Index-All Urban Consumers; U.S. All Items (1967=100)

Projected Inflation Proofing: Nominal Values in 20 Years



5th Percentile	\$2,294	\$1,767	\$4,632
25th Percentile	\$1,627	\$1,244	\$2,243
50th Percentile	\$1,324	\$1,008	\$1,483
75th Percentile	\$1,117	\$803	\$1,069
95th Percentile	\$921	\$667	\$649

The goal is for the Authority's APFC Corpus to keep pace with the Inflation Proofing Target ("IPT")

- The Inflation Proofing Target grows with TLO principal inflows and inflation
- The Corpus grows with TLO principal inflows and inflation-proofing deposits when reserves exceeds the targeted amount
 - Half of excess reserves are assumed to transfer to the Corpus to bring it up to (but not exceed) the IPT if underwater

The Corpus (\$140M behind the IPT at FY2024) is **expected** to be over \$300M behind in 20 years (~\$218M in today's dollars)

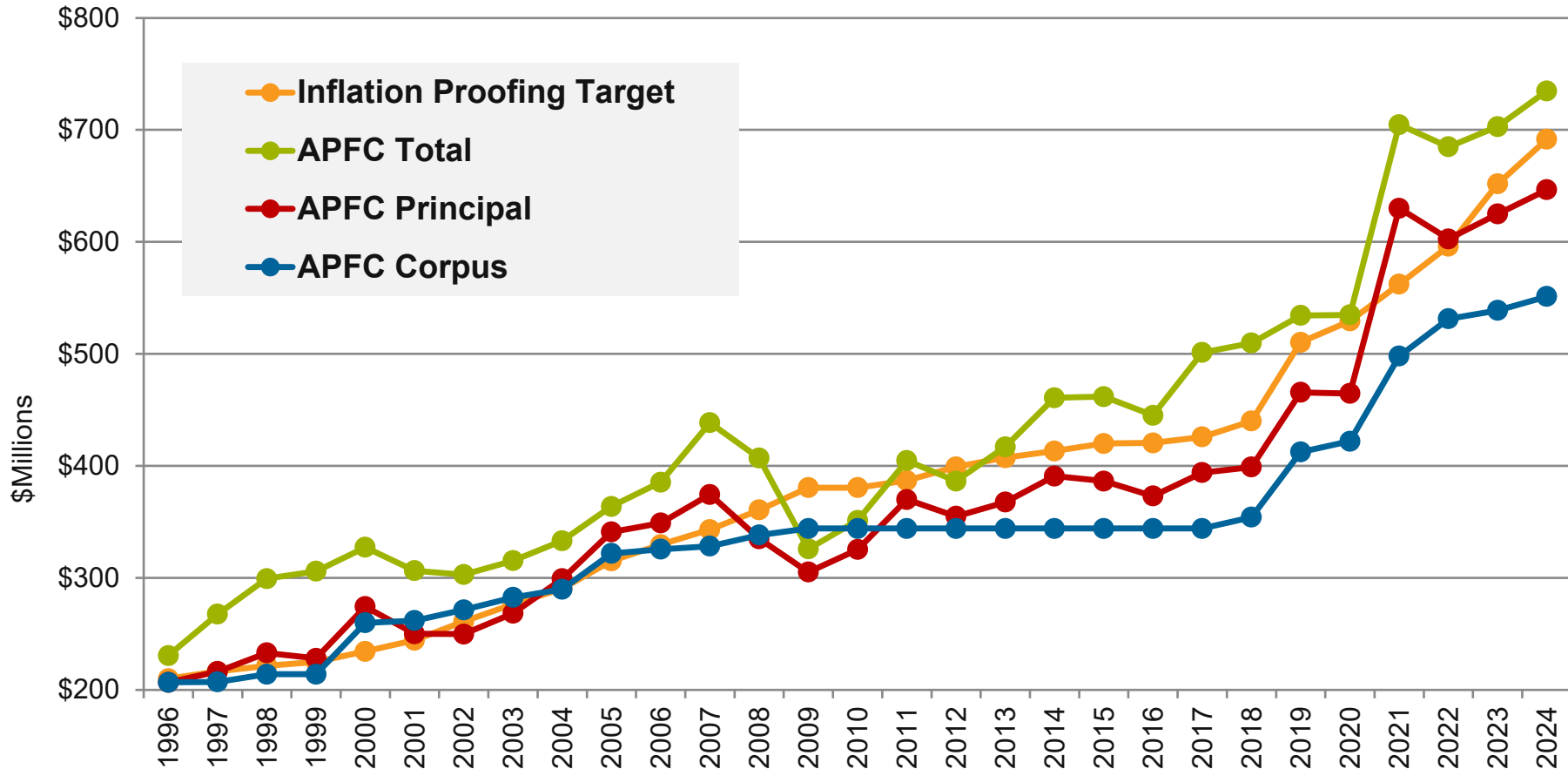
- The Corpus only meets or exceeds the IPT in 6.2% of scenarios at the end of the 20-year projection period

The Total MV (\$43M ahead at FY2024) is **expected** to be over \$100M ahead in 20 years (~\$64M in today's dollars)

- The Total MV exceeds the IPT in 61.2% of scenarios at the end of the 20-year projection period

Historical Inflation Proofing

Fiscal Year Values



The Authority's APFC Corpus, which has fallen short of the Inflation Proofing Target ("IPT") since FY2006, is currently behind by the widest margin to date (\$140 million)

The Authority's APFC Total market value is currently ahead of the IPT by \$43 million and has been ahead of the Inflation Proofing Target in 26 of the 29 fiscal years

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Past performance is no guarantee of future results.

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Trust

Alaska Mental Health Trust Authority

Alaska Mental Health Trust Authority

Asset Management Policy Statement
Adopted: August XX, 2025

Asset Management Policy Statement

Purpose

The Asset Management Policy Statement (“AMPS”) specifically delineates the asset management philosophy and practices of the Board of Trustees (the “Board”) of the Alaska Mental Health Trust Authority (the “AMHTA”). It has been developed to serve as the management plan for those assets entrusted to the Board. The Board believes it is essential to adopt a long-term plan by which these assets will be prudently managed. The AMPS may be revised by action of the Board and should be reviewed annually. The Board has adopted the AMPS to serve as that long-term plan, in order that:

- there be a clear understanding on the part of the Board, staff, beneficiaries, and the public as to the objectives, goals, and restrictions with regard to the management of Trust assets;
- assets be structured and managed in a prudent manner; and
- there be a meaningful basis for performance evaluations of asset classes, managers, and strategies used to achieve the management objectives.

Background

Creation of the Trust

The Alaska Mental Health Trust (the Trust) was established by Congress under the Alaska Mental Health Enabling Act of 1956 (“Act”). The Act included a grant to the State of Alaska of one million acres of land to be used to generate revenues to ensure the development of an Integrated Comprehensive Mental Health Program for the State of Alaska. In the mid-1980s, a class-action citizen lawsuit, Weiss v. State, was filed, alleging the mismanagement of these lands. In 1994, the Alaska Legislature passed legislation that was subsequently approved by the Alaska Superior Court as a settlement of the litigation (the “Settlement”).

Settlement Framework

The Settlement reconstituted the Trust with an initial \$200 million in cash and nearly one million acres of land. The Board consists of seven members and it was created and charged with the responsibility of administering the Trust. The Settlement included statutory language (AS 37.14.009(a)) that assigned the Alaska Permanent Fund Corporation (“APFC”) management of the Mental Health Trust Fund and assigned the

Department of Natural Resources (“DNR”) management of Trust land, natural resource assets, and associated improvements. The 1994 legislation required DNR to establish a separate unit, the Trust Land Office (“TLO”), for this purpose. Other Trust funds, such as Trust income allocated for annual mental health program spending, a portion of budget reserves, and, on a short-term basis, cash receipts generated by the TLO are managed by the Department of Revenue (“DOR”).

The Board directs the financial management of the earnings from the assets of the Trust into programs and projects that are designed to improve the lives of Trust beneficiaries: Alaskans who experience mental illness, developmental disabilities, chronic alcoholism, and others who suffer major mental illness as set forth in AS 44.25.290 and 20 AAC 40.

Mission Statement

The board has adopted the following mission statement for the Trust:

The Alaska Mental Health Trust Authority (the Trust) administers the Mental Health Trust to improve the lives of beneficiaries. Trustees have a fiduciary responsibility to protect and enhance trust assets in perpetuity for the beneficiaries. The Trust provides leadership in advocacy for and planning, implementing and funding of the Integrated Comprehensive Mental Health Program; and acts as a catalyst for change.

Roles and Responsibilities

Board of Trustees

Established by AS 44.25.210, the Board consists of seven members and it is the governing body for the Alaska Mental Health Trust Authority. The Board has the responsibility of establishing and maintaining Board policies and objectives for the prudent management of Trust assets. The Board establishes broad policies and sets the direction for asset management in this AMPS. In doing so, the Board maintains a “top-down” perspective, focusing on important policy-level issues, and maintaining the proper fiduciary perspective and time horizon for analysis of the performance of Trust assets. The Board may, from time to time, seek the input of third-party experts, such as investment managers or consulting firms, to assist with their fiduciary responsibilities.

Finance Committee

The Board has established a Finance Committee to assist the Board in the financial oversight and strategic financial planning for the Trust. This

Committee consists of three current voting members of the Board and the Board chair as a non-voting member. The Finance Committee considers the overall financial performance of Trust assets, including the real estate and natural resources managed by the Trust Land Office, and makes recommendations to the Board when necessary. The Finance Committee will consult with the Chief Financial Officer and Chief Executive Officer to oversee the implementation of this AMPS. Additional responsibilities may be found in the Finance Committee charter. The Committee may, from time to time, seek the input of third-party experts retained by AMHTA, such as investment managers or consulting firms, to assist with their fiduciary responsibilities.

Resource Management Committee

The Board has established a Resource Management Committee to assist the Board in the oversight and strategic planning for the land, natural resource assets, and associated improvements held by the Trust. This Committee consists of three current voting members of the Board and the Board chair as a non-voting member. The Resource Management Committee will consult with the Chief Executive Officer and the Trust Land Office to oversee the Trust's land, natural resource assets, and associated improvements by the Department of Natural Resources. The Resource Management Committee will also seek the advice and input from the Finance Committee when considering the allocation of resources to the TLO for resource development, including the utilization of funds from the Trust Land Office Development Account. Additional responsibilities may be found in the Resource Management Committee charter. The Resource Management Committee may, from time to time, seek the input of third-party experts retained by AMHTA, such as investment managers or consulting firms, to assist with their fiduciary responsibilities.

Chief Executive Officer

As defined by AS 44.25.230, the Chief Executive Officer ("CEO") is the staff position that serves the Board and is responsible for the day-to-day management of the AMHTA. The CEO implements the policies established by the Board according to the authorities and guidelines provided in state statute, regulations, AMHTA by-laws and the CEO charter. Additionally, the CEO serves as the manager of the AMHTA's investments in Commercial Real Estate Limited Liability Corporations, if any, and may utilize the expertise of third-party asset managers and other consultants to assist with this responsibility.

Chief Financial Officer

The Chief Financial Officer (“CFO”) provides reports on investment activity and results, as well as provides general oversight of the Trust investments. As part of the annual budgeting process, the CFO will make a calculation and a recommendation to the Finance Committee as to the amount of money that should be withdrawn for the investment accounts to fund Trust activity. Where investment managers require administrative direction from the AMHTA to implement the investment policies and strategies (such as rebalancing activities) the CFO provides that direction in accordance with established Board policies.

Trust Land Office

The TLO has responsibility for management of the Trust’s land, natural resource assets, and associated improvements. The TLO was established within the Department of Natural Resources under AS 44.37.050.

TLO Executive Director

The TLO Executive Director has overall responsibility for the management of approximately one million acres of Trust land with accountability to the AMHTA. This position reports to the Chief Executive Officer of the Trust.

Alaska Permanent Fund Corporation (“APFC”)

The APFC manages the Mental Health Trust Fund and other Trust assets as agreed by the Board and APFC in accordance with AS 31.14.009.

Department of Revenue (“DOR”)

The DOR manages funds for the State of Alaska, including AMHTA budget reserves and other short-term investments.

Statement of Asset Management Philosophy

The AMPS serves as a framework to ensure the necessary resources are available to both current and future AMHTA beneficiaries. The AMPS helps the Board effectively supervise, monitor, and evaluate the investment and management of the Trust’s liquid and non-liquid assets. The short-term cash, liquid and non-liquid investment programs are defined in the various sections of the AMPS by:

- stating in a written document the Board's expectations, objectives, and guidelines for management of the short-term cash, liquid and non-liquid assets;

- complying, or ensuring compliance, with all applicable fiduciary, prudent investor, and due diligence requirements that experienced investment professionals and land managers would reasonably utilize, and with all applicable laws, rules, and regulations that may impact Trust assets;
- setting forth an investment structure for the Trust; this structure includes various accounts, asset classes, investment management styles, risk tolerance, asset allocation and acceptable ranges that, in total, are expected to produce a sufficient level of overall diversification and total investment return over the long-term;
- establishing guidelines for management of the Trust's non-liquid assets consistent with the TLO's long-term asset management strategy as defined in 11AAC 99.090(c);
- monitoring, evaluating, and comparing the investment performance results achieved by APFC, DOR, and TLO on a regular basis;
- encouraging effective communication between the Board, staff, APFC, DOR, and TLO;
- establishing a framework to aid the Board in determining the annual available funding amount for spending on behalf of the beneficiaries in mental health programs and projects, and protecting and enhancing the value of the Trust for future beneficiaries; and

This AMPS is formulated upon the Board's consideration of the financial implications of a wide range of policies and describes the prudent investment processes that the Board deems appropriate.

The Board recognizes that even though its investments are subject to short-term volatility, it is critical that a long-term investment focus be maintained. This prevents ad-hoc revisions to the Board's philosophy and policies in reaction to either speculation or short-term market fluctuations.

The Board recognizes that the Trust has many stakeholders with differing levels of expertise and will make reasonable efforts to develop policies that are easily communicated to statutory boards, advisors, and other stakeholders, so that the framework for decision making is clear and transparent.

Asset Management Objectives

The asset management objectives of the Trust have been established by the Board in conjunction with a comprehensive review of the Trust's current and projected financial requirements. The investment earnings from liquid assets and income produced from non-liquid assets will be used to implement annual mental health program funding strategies and to protect

the enhance the value of the Trust for future beneficiaries. Accordingly, investment results and Trust land resource management decisions are critical elements in achieving the outcome objectives of the Trust.

Short-Term Cash Management Objectives

Specific short-term cash management objectives are to:

- primarily protect the Trust's short-term capital needs;
- achieve a rate of return comparable to that offered by short-term savings accounts such as money market funds or investment grade short duration bonds;
- allow for as-needed liquidity to meet the cash flow needs of the Trust.

Liquid Asset Management Objectives

Specific liquid asset management objectives are to:

- preserve and enhance the purchasing power of the Trust's cash principal;
- provide a steady, reliable payout stream to ensure funding of program spending goals while maintaining sufficient liquidity in all market environments.

Non-Liquid Asset Management Objectives

The TLO Executive Director and CEO when managing non-liquid land, natural resources and commercial real estate shall adhere to all of the following objectives:

- protect and enhance the non-cash asset value and productivity of Trust property;
- maximize long-term revenues from Trust non-liquid assets over time;
- protect and enhance the long-term productivity of the non-liquid assets;
- encourage a diversity of revenue-producing uses of Trust non-liquid assets;
- manage Trust land prudently, efficiently, and with accountability to the Trust and its beneficiaries; and
- use Trust non-liquid assets for beneficiary purposes, when such use is found to be in the best interest of the Trust and its beneficiaries.

Guidelines and Investment Policy

Time Horizon

The investment time horizon is one of the major considerations when evaluating an asset allocation. The Trust considers several time horizons:

Short-Term: The Trust maintains funds that are held temporarily, pending use by Trust programs or other investment decisions. These investments have an approximate time horizon up to 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”) account managed by the Department of Revenue¹. The GeFONSI account is intended to produce cash-like 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 (“SIA”): GeFONSI Fund 1092
- Trust Authority Development Account (“TADA”): GeFONSI Fund 3320
- Trust Land Office Development Account (“TLODA”): GeFONSI Fund 3322

From time to time, as part of the operations of the Commercial Real Estate portfolio, the Trust may also hold cash, certificates of deposit, or money market accounts in federally insured banks. These funds are generally invested in low-risk, highly liquid accounts and include:

- Operating Accounts for Building management
- Property Reserves for Capital Improvements

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 managed by DOR

Long-Term: The Trust also invests funds for the benefit of future beneficiaries. These investments are managed for long term growth, with a time horizon of seven years and beyond. Investments in this area include:

- Mental Health Trust Fund, including Budget Reserves managed by APFC
- Commercial Real Estate holdings managed by the Chief Executive Officer
- TLODA projects managed by the TLO

Asset Allocation

Careful allocation of Trust capital is an essential component of managing

¹ Additional information regarding the GeFONSI pool can be found at <https://treasury.dor.alaska.gov/home/investments/gefonsi>
AHMTA Investment Policy Statement, August XX, 2025

the overall potential return and risk profile of the Trust. Investing decisions strive for a balance between overweighting capital in a narrow section (*concentration risk*) and distributing capital so broadly that investments are not focused and generate mediocre results. Asset allocation is the framework for managing investment decisions to achieve the desired result within an acceptable range of risk.

The Trust has unique features when considering asset allocation:

- By investing as a commingled account at the Alaska Permanent Fund, the Trust benefits from substantial economies of scale and reduced costs. However, the Trust cannot adjust the asset allocation or the investment strategies employed by APFC and is subject to periodic changes to the return and risk targets adopted by APFC.
- Through the Settlement the Trust holds approximately one million acres of land throughout Alaska. This is a substantial asset for the Trust, but it has limited liquidity and is concentrated in Alaska. Associated with the land holdings, the Trust participates in natural resource development (harvesting timber, mining, oil & gas production, etc.). This creates some sensitivity to commodity prices, foreign exchange rates, and overall economic environment.
- The Trust holds direct real estate investments in several commercial properties. The funds invested in these assets represent less than 10% of total Trust assets and have limited liquidity. The Commercial Real Estate portfolio has entered wind-down/liquidation and no new properties will be added to the program.
- The Trust maintains a commitment to serving beneficiary needs through the provision of facilities at lease rates that may differ from market rates. These program-related assets generate limited financial return to the Trust and should be excluded from asset allocation calculations.

Considering these factors, the Finance Committee shall review the asset allocation annually following completion of the annual financial statement audit recommend an adjustment to the asset allocation to the Board between the various accounts and the risk profile of the DOR Budget Reserve as necessary to achieve Trust objectives. The CFO, in coordination with external consultants, will provide the Finance Committee with an aggregate report of current asset valuations and make recommendations for Board consideration. The Trust assets are include:

Investment Manager	Account	Risk Profile (1=Low, 5=High)	Asset Allocation
Department of Revenue	GeFONSI	1	Established by the Manager ²

² Department of Revenue investment policies and allocations are published on line at:
http://treasury.dor.alaska.gov/Portals/0/docs/blue_book/investment_policies_and_procedures.pdf

Department of Revenue	Budget Reserves	2	Established by the Manager with Trust direction ³
Alaska Permanent Fund Corporation	Trust Fund and Reserve Balances	3	Established by the Manager ⁴
Commercial Real Estate LLCs (CEO and Third-Party Manager(s))	Commercial Real Estate	4	Established by the Trust ⁵
Trust Land Office	TLODA Projects	5	Established by the Trust

Performance Expectations

A significant factor in achieving positive long term investment results is the costs and fees associated with investment services. The Trust has two external managers that handle financial investments: the Alaska Permanent Fund Corporation and the Department of Revenue. Because of the substantial assets managed by APFC⁶ and DOR⁷ the Trust receives the benefit of their purchasing power and economies of scale. This relationship allows for investments to be made at a lower cost than what would otherwise be available to the Trust and contributes to the long-term growth of Trust investments. Accordingly, the Trust seeks to work with these agencies as our investment managers whenever possible.

Short-Term and Liquid Asset Managers

Alaska Permanent Fund Corporation

APFC management responsibilities for the AMHTA are provided for in APFC statute and a memorandum of agreement between the Trust and the APFC (“APFC MOA”).

The Board reviews the long-term performance, risk, and liquidity characteristics of the APFC-managed investments on a periodic basis (but not less than annually). The Finance Committee will meet with representatives from APFC on a periodic basis (but not less than annually) to review the APFC’s investment strategy and adherence to investment policy and guidelines.

The performance target for APFC investments will be APFC’s current

³ The Trust gives broad guidance around which Department of Revenue investment funds the Trust should participate in. Descriptions of the allocations and investment pools are published on line at: http://treasury.dor.alaska.gov/Portals/0/docs/blue_book/investment_policies_and_procedures.pdf under the section Z-1.

⁴ The Permanent Fund Asset Allocation framework and targets are published at: <https://apfc.org/diversification-framework-asset-allocation/>

⁵ Current allocation is four properties, with approximately \$25.6 million in invested funds.

⁶ \$84 Billion as of February 2025

⁷ \$3 Billion as of February 2025

custom Performance Benchmark, as outlined by the APFC.

Department of Revenue

The asset allocation for Budget Reserves under management of the DOR Treasury Division is directed by the Board.

The DOR Treasury Division holds and manages 75% of the Budget Reserve, cash balances of the Trust Land Office Development Account, cash balances of the Trust Authority Development Account, and on a short-term basis the income generated by the TLO and Trust income allocated by the Board for spending on the Integrated Comprehensive Mental Health Program held within the Settlement Income Account.

Investments of the Budget Reserves are made pursuant to guidance provided by the CFO under the fiduciary direction of the Board. In executing their duties, the Finance Committee shall periodically (not less than every three years) review asset allocation independently or request consultation from outside entities and, if appropriate, recommend the Board adopt changes.

The TLODA, TADA, and SIA are currently invested in the GeFONSI account.

The performance target for the Budget Reserves managed by the DOR is reviewed by the Board on at least an annual basis, with any revisions approved by the Board. The performance target for the GeFONSI account is specified in the Investment Policy Statement that is approved by the Commissioner of Revenue on an annual basis⁸.

Non-Liquid Asset Managers

Trust Land Office

The TLO manages the Trust's non-liquid assets, with the exception of the Commercial Real Estate portfolio, on behalf of the AMHTA, in accordance with applicable statutes, regulations, and a memorandum of understanding between the Trust and DNR ("DNR MOU"). The land resource component of the Trust is made up of Alaskan land parcels, natural resource assets, and associated improvements. TLO management responsibilities are provided for in AS 38.05.801, 11 AAC 99, and the DNR MOU.

The performance of any projects funded through TLODA will be presented to the Board on at least an annual basis, including the calculation of financial metrics such as an internal rate of return ("IRR") along with multiple on invested capital ("MOIC") and distributions to paid-in capital ("DPI") ratios. Such calculations are to be performed by the CFO, with the

⁸ Department of Revenue investment policies and allocations are published on line at:
http://treasury.dor.alaska.gov/Portals/0/docs/blue_book/investment_policies_and_procedures.pdf

assistance of the TLO and third-party experts on an as-needed basis. TLODA projects should also be compared on a time-weighted basis versus a commodity-sensitive performance index, such as the FTSE CoreCommodity CRB® Index or similar, along with the performance of the APFC.

General operating expectations for the TLO are governed by the Resource Management Strategy document. Of note:

- lands, structures, and resources may be acquired when the acquisition will add value to the Trust's non-liquid asset portfolio through the Trust Land Office Development Account or will contribute to the mission of the Trust as a program-related investment, upon approval of the Board;
- investments in Trust land, including improvements funded by the Trust Land Office Development Account, should be consistent with the guidelines in the Resource Management Strategy and, when expected to generate increased value for the Trust, the proposed results should compete favorably with the projected long-term total rate of return of APFC (10-year geometric annualized projected return of 7.30% as of January 2025);
- if beneficiary program uses of Trust lands are proposed at rents below fair market value, the increment between proposed rents and fair market value rents will be considered an allocation of Trust revenue and must be approved by the Board.

TLO revenue is allocated in accordance with 20 AAC 40.610, and this AMPS, The current allocation is:

- To Principal: Land sale revenues; royalties from coal, gas, materials, minerals, and oil; perpetual easements; and 85% of revenues from timber sales.
- To Income: Interest from land sale contracts; bonus bids; rents; and 15% of revenues from timber sales.

Commercial Real Estate Investments

The CEO monitors and manages the Commercial Real Estate investment assets of the AMHTA. The CEO may engage third-party asset management firms to assist with the monitoring and management of these assets. The third-party asset management firm provides advice and recommendations regarding Trust's non-liquid direct real estate investments to the Board when considering investment decisions.

The Board reviews the long-term performance, risk, and liquidity characteristics of the Commercial Real Estate investments on a periodic basis (but not less than annually).

The performance target for the assets is the NCREIF Office Sector Return

and the performance of the APFC.

Control Procedures

AMPS Revisions

It is not expected that the AMPS will change frequently. In particular, short-term changes in the financial, real estate and natural resource markets and associated operating arenas should not require adjustments to the AMPS. However, the Board will review the AMPS at least annually to confirm it remains relevant. Additionally, the AMPS shall be reviewed if there is a fundamental change to how APFC manages its portion of the liquid assets, alterations to the Trust's spending policy, or if the Trust is impacted by statutory revisions. All revisions to the AMPS should be performed in consultation with external advisors.

Short-Term and Liquid Assets

APFC & DOR performance will be reviewed quarterly by the Finance Committee who will report all performance to the Board to determine the continued feasibility of achieving the investment and Trust land management objectives and the appropriateness of the AMPS for achieving those objectives.

Non- Liquid Assets (Including Land, Natural Resources, Associated Improvements and Commercial Real Estate)

The TLO will maintain a level of management capacity necessary to prudently manage and develop Trust non-liquid assets, excluding the Commercial Real Estate investments, over time. It is understood that this component of Trust non-liquid asset management represents a significant expense to the Trust. Necessary management expenses will be reviewed and approved by the Finance Committee, Resource Management Committee and the Board on an annual basis.

The duties and responsibilities of the TLO are generally provided for in AS 38.05.801 and more specifically provided for in 11 AAC 99 and the DNR MOU. The specific management principles are provided for in 11 AAC 99.

TLO financial performance will be reviewed at least annually by the Finance Committee which will report all performance to the Board.

A review of the Commercial Real Estate portfolio will be presented to the Finance Committee at least annually by the CEO and/or the third-party asset management firm.

Total Trust Performance

On at least an annual basis, the total financial performance of the Trust assets will be presented to the Board. Performance will be compared to a blended benchmark consisting of the following indices (weighted based upon the Trust's allocation to each category as of the beginning of each fiscal year):

- APFC Allocation: APFC's Performance Benchmark
- DOR Budget Reserves: Blended Benchmark as approved by the Board
- DOR GeFONSI: GeFONSI's Custom Performance Benchmark
- TLODA Projects: Actual performance of the TLODA Project program
- Commercial Real Estate: NCREIF Office Sector Return

Investment Guideline Monitoring

On at least an annual basis, the investment accounts of the Trust should be reviewed by the CFO to confirm they are being managed in accordance with all applicable investment guidelines. Any areas of deviation from stated guidelines should be noted and monitored on a quarterly basis by the Board, with an understanding that immediate correction may not be financially prudent. Once any guideline breach has been corrected, the Board may return to annual investment guideline reviews. Investment guidelines are as follows:

- APFC: The APFC Board of Trustees approves the APFC Investment Policy, which can be found on its website⁹. Confirmation of adherence to this policy should be part of the Board's annual review with the APFC.
- DOR Budget Reserves: The DOR manages the Budget Reserves account in accordance with a long-term asset allocation target established by the Board. This portfolio invests in a mixture of active and passive commingled investment vehicles and is rebalanced at least quarterly based upon cash flows in and out of the Trust. Any deviation from the long-term asset allocation targets should be minimal.
- DOR GeFONSI: Governed by the Investment Policy Statement approved by the Department of Revenue¹⁰. It is anticipated that GeFONSI will not materially deviate from its stated investment guidelines.
- TLODA Projects: The TLO will implement all TLODA projects in accordance with the parameters for each project approved by the Board. The TLO will present an update on TLODA Projects to the Board on a periodic basis (but no less than annually).
- Commercial Real Estate: The Commercial Real Estate program is in wind-down/liquidation and no new properties should be added to the

⁹ The APFC Investment Policy can be found under the "Governance and Corporate Policies" archive online at: <https://apfc.org/report-archive/#14-35-governance-and-corporate-policies>

¹⁰ The GeFONSI Investment Policy Statement can be found in section XII.A of the State of Alaska Department of Revenue Treasury Division Investment Policies and Procedures found at: http://treasury.dor.alaska.gov/Portals/0/docs/blue_book/investment_policies_and_procedures.pdf

portfolio.

Cash Management Procedures

The Trust has elected to utilize the GeFONSI account, managed by DOR, as its short-term cash management investment vehicle. The Trust has three primary cash management accounts that utilize GeFONSI: TADA (account 3320), TLODA (account 3322) and SIA (account 1092). In general:

- TADA receives cash flows generated by TLO asset sales.
- TLODA receives capital from Trust reserves to fund TLODA activity and any other TLO-related expenditures as approved by the Board, including any capital needs of the Commercial Real Estate investment program. This account is expected to maintain a target working balance of \$2 million to cover the needs of the Central Facilities Fund, along with any funds approved for TLO development expenditures approved by the Board.
- SIA is the account from which income available for appropriation and expenditure is deposited. SIA ultimately funds the Mental Health Trust Authority Authorized Receipts ("MHTAAR"), AMHTA agency budget, TLO annual budget, and other authorized grants. SIA is expected to maintain a working balance of the current fiscal year's withdrawal plus any residual balances from previous withdrawals yet to be spent.

Spending Policies

The Board has the authority to authorize the expenditure of Trust funds to award grants and contracts in fulfillment of the Trust's purpose to ensure an Integrated Comprehensive Mental Health Program, to protect and enhance the value and productivity of Trust assets, and, with legislative approval, the operating expenses of the Trust Authority Office ("TAO") and TLO. This spending policy outlines five Board objectives:

1. follow a spending policy based upon a sustainable percentage of investment net asset values.
2. apply smoothing mechanisms to mitigate the effects of short-term market volatility on spending and maintain a reliable funding stream to ensure the support of an Integrated Comprehensive Mental Health Program for the beneficiaries;
3. maintain the purchasing power of the Trust principal, including addressing the effects of inflation, by using the reserve model consisting of the Budget Reserve account originally recommended by Callan LLC in 1996 and updated in 2025; and
4. establish a Budget Reserve account to ensure funding support for the

Integrated Comprehensive Mental Health Program is maintained in a difficult market environment;

5. ensure maximum resources are available to current and future beneficiaries by allocating sufficient resources to ensure that Trust assets are properly managed, including the use of funds allocated to TLODA, where appropriate and approved by the Board, to maximize the value and productivity of Trust non-liquid assets;

Annual Available Funding Framework

Having a relatively consistent and predictable funding stream is paramount to ensuring an effective Integrated Comprehensive Mental Health Program. To mitigate the effects of periodic market volatility on funding, the Board utilizes smoothing mechanisms to maximize funding consistency.

The following components have been established as a framework to aid the Board in determining the annual available funding amount:

- An annual withdrawal calculation consisting of 4.50 percent of the rolling four year-end¹¹ average of the actual net asset value (“NAV”) at the end of fiscal year for the aggregate of the following:
 - Principal Invested at APFC¹²
 - Budget Reserve invested at APFC
 - Budget Reserve invested at DOR
- The rolling two year-end average of known and termed lapsed appropriations funded from the SIA¹³, or other process approved by the Board to capture the value of prior year unused funds;
- The most recent finalized rolling two year-end average of income generated by TLO operations;
- The interest earned on cash held within GeFONSI for the most recent fiscal year;
- The unobligated/unallocated funds that could have been authorized in previous fiscal years under this framework calculation; and
- Other miscellaneous unrestricted revenues properly deposited into the SIA such as contributions from partner agencies and the recovery of prior year expenditures received after the funding

¹¹ To ensure clarity and consistency in calculations, the year-end amounts referred to in the Annual Available Funding Framework are defined as the amounts/values as of the end of the fiscal year (June 30th) rather than the end of the calendar year (December 31).

¹² Funds in the Trust operating accounts are not included in the payout calculation unless Board approves otherwise.

¹³ Settlement Income Account fund 1092 only. Lapsed appropriations funded from other sources are not included in the calculation.

appropriation lapsed.

The Board reserves the right to expend additional funds when circumstances warrant. Concurrently, the Board acknowledges that principal assets are not available for expenditure.

The annual withdrawal calculation amount will be transferred to SIA and invested with GeFONSI in one or more transactions during each fiscal year by the CFO.

Budget Reserve Guidelines

In order to fulfill funding requirements during market downturns, a Budget Reserve account will be maintained to help ensure funding availability. Based on a Callan LLC study of the Alaska Permanent Fund and the Alaska Mental Health Trust Fund, the Budget Reserve is set at 400% of the targeted annual withdrawal calculation amount. This reserve amount should be adequate to provide maximum assurance that the Trust will be able to meet annual funding goals.

Approximately 75% of the Budget Reserve shall be invested by the DOR. The remainder of the Budget Reserve shall be invested by the APFC in the same manner as the Principal.

When the APFC Budget Reserve allocation exceeds 100% for a given year, the Budget Reserve at DOR will first be adjusted up to 300% of the current year's targeted annual withdrawal calculation (if needed). When the Budget Reserve is fully funded at both DOR and APFC, funds may be used to help offset the effects of inflation ("inflation proofing") by adjusting the Principal balance at APFC. The effect of inflation will be estimated by using US Department of Labor Bureau of Labor Statistics CPI-U index¹⁴.

When the APFC or DOR experiences losses for a given year, the Budget Reserve at DOR may be maintained or adjusted to 300% of the annual withdraw calculation from the Budget Reserve at APFC.

In the event of severe and/or sustained losses or withdrawals whereby the Budget Reserve is insufficient to meet the annual payout while maintaining at least 300% of the current year's annual withdrawal calculation then the withdrawal rate or amount may be reviewed by the Board.

Full or partial inflation proofing may be facilitated by the following method:

- Inflation proofing permanent transfer (official non-spendable transfer)
 - Upon notification by the CFO that the Board has approved an official and permanent inflation proofing transfer, APFC will initiate an accounting entry to irretrievably transfer funds from Budget Reserves to the Mental Health Trust Fund Principal.

¹⁴ Consumer Price Index All Urban Consumers; U.S.; All Items; 1967=100
AHMTA Investment Policy Statement, August XX, 2025

Trust Land Office Development Account Guidelines

To ensure maximum resources are available to current and future beneficiaries, , the Board will maintain a TLODA to use Trust income to exchange one asset for another, to maintain or enhance the value of the Trust's existing non-liquid asset portfolio, either through prudent investments in non-liquid assets already owned by the Trust or through the acquisition of additional assets. Assets in the TLODA may also be used to acquire assets that enhance the capacity of the state's mental health program, such as facilities for delivering services to beneficiaries. This may be accomplished through the financing of projects, purchase/lease of assets, exchange or resale.

Recommendations presented by the TLO for expenditure from the TLODA will be noticed in the same manner as other Trust expenditures, including presentation to the Finance and Resource Management Committees and final approval by the Board. Recommendations will be based upon a specific investment plan with identified priorities. Such presentations should clearly detail the investment case for each TLODA project, including associated risks (including financial, operational, legal, and macroeconomic risks), and projected returns/internal rate of return ("IRR") target for any proposed non-PRI/PRRE investments. These investments are expected to compare favorably with the projected long-term total rate of return of the Alaska Permanent Fund Corporation (10-year geometric annualized projected return of 7.30% as of January 2025).

Where TLODA funds are used to enhance the value of the Trust's existing non-liquid assets, each project will be accounted for individually and the earnings from the project will be used to calculate performance metrics such as an IRR, multiple on invested capital ("MOIC"), and distributions to paid-in capital ("DPI"). The Board may adjust the TLODA IRR target on a case-by-case basis, reflecting the unique circumstances of each project. Classifying these cash flows between principal and income shall be done at the direction of the Board, in accordance with 20 AAC 40.610.

The TLODA funded projects may involve real estate and natural resource development, investments that are illiquid or exposed to commodity price fluctuation. Accordingly, the Board has established a maximum allocation to projects funded this account of 2.0% of Trust assets, calculated as follows:

$$\frac{(\text{Net TLODA Investments})}{(\text{APFC Assets} + \text{DOR Budget Reserve Assets} + \text{Net TLODA Investments})}$$

"Net TLODA Investments" is defined as the total amount invested from TLODA in TLO managed projects, less any funds returned from these projects up to the original investment amount. This amount does not become negative if returned capital from a project exceeds the initial cash

outlay.

Additional allocations may be made in the future, depending upon the needs of the Trust.

Commercial Real Estate Guidelines

The Commercial Real Estate investments held by the Trust generate income through lease payments. These assets also have the potential to create value through appreciation, through a combination of property improvements, lease renewals, and overall economic growth. Management of these assets handled by the CEO. The CEO may choose to hire third-party asset management firms to assist with the management and oversight of the Commercial Real Estate investments, including the ongoing evaluation of potential property sales.

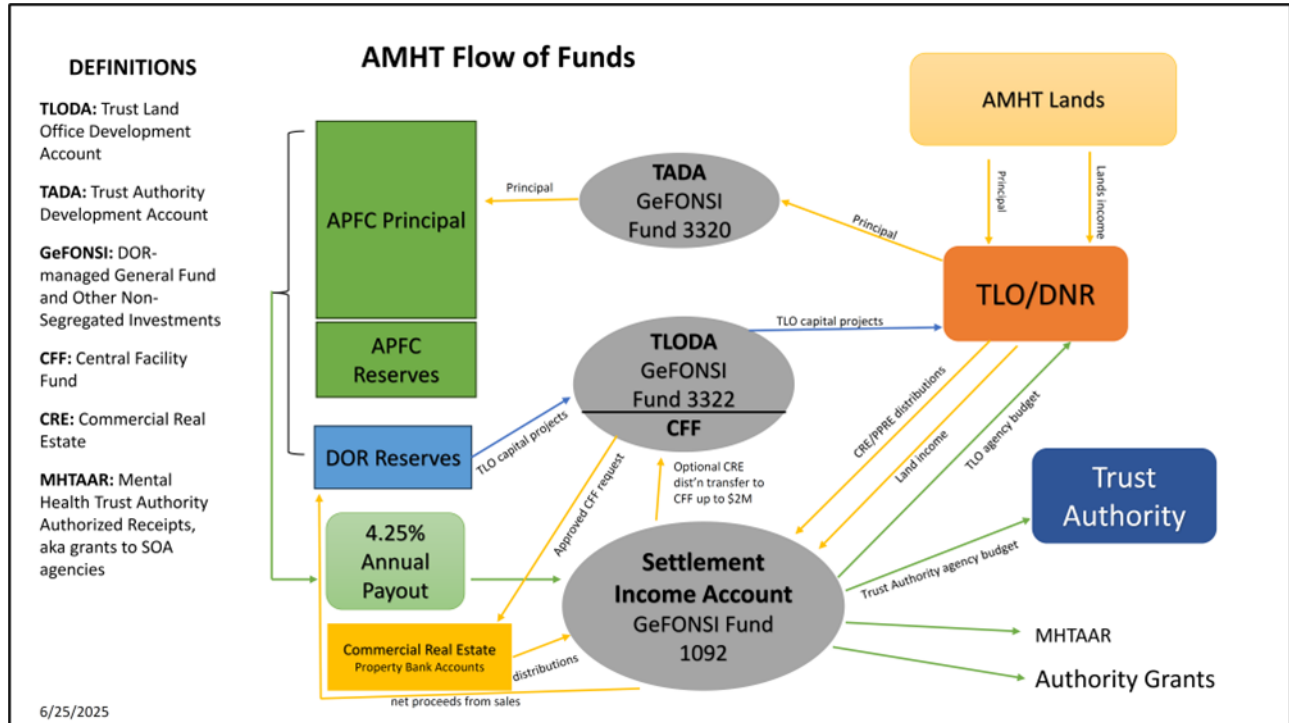
There are three key features associated with the Commercial Real Estate assets that should be considered as part of the AMPS:

- Each property has an annual budget for operations, debt service, and maintenance/capital improvements. Income generated by the properties will be used to fund these costs first, prior to making distributions to fund beneficiary programs.
- The properties utilize the Central Facilities Fund (“CFF”) within TLODA, with contributions from the properties accumulating over time. These funds provide a cash flow cushion in the event that major improvements are needed to maintain the properties or to secure leases. The fund has a target of \$2 million and contributions to the fund should be made prior to making distributions to fund beneficiary programs.
- Certain properties have outstanding debt. These loans are structured as non-recourse debt, which limits the overall liability of the Trust. The terms of each mortgage, especially the timing of any balloon payment requirements, should be carefully considered as part of the overall investment strategy.

These assets compose less than 10% of the Trust’s overall investments. Each property has a commercial property manager that prepares an annual budget, collects the rents, and handles day-to-day operations. Expenditures must be part of the Board approved annual budget.

Flow of Funds Diagram

The following chart serves as a high-level illustration of the general flow of funds among the various Trust accounts.



Definitions

For purposes of ease of administration and understanding of this Asset Management Policy Statement, the following terms are defined or clarified:

THE ALASKA PERMANENT FUND CORPORATION (“APFC”): The Alaska Permanent Fund Corporation manages the liquid assets of the Alaska Mental Health Trust Authority under the APFC’s asset allocation policy as approved by the APFC Board of Trustees and its investment policies and guidelines for major asset classes.

ASSETS: Consists of the liquid and non-liquid assets of the Alaska Mental Health Trust Authority, including property and resource assets acquired by the TLO on behalf of the Trust.

BOARD: The governing body of the Alaska Mental Health Trust Authority established by AS 44.25.210 that consists of seven members.

BUDGET RESERVE: Budget Reserve is set at 400% of the targeted annual withdrawal amount. This reserve amount should be adequate to ensure the Trust’s ability to meet its spending goals in a difficult market environment and to ensure liquidity in future years. The budget reserve is maintained both within the Department of Revenue Budget Reserve as well as the Alaska Permanent Fund Corporation.

CENTRAL FACILITY FUND (“CFF”): A component of the Trust Land Office Development Account used to finance operations and maintenance on buildings owned by the Trust, including capital improvements and leasing commissions for the Commercial Real Estate portfolio.

CHIEF EXECUTIVE OFFICER (“CEO”): The staff position as defined by AS 44.25.230 serving the Board as the chief executive officer of the Alaska Mental Health Trust Authority.

CHIEF FINANCIAL OFFICER (“CFO”): The staff position serving as the chief financial officer of the Alaska Mental Health Trust Authority.

COMMERCIAL REAL ESTATE (“CRE”) PORTFOLIO: A portfolio of commercial real estate properties held by the AMHTA. The CEO is responsible for management and potential disposition of the CRE portfolio. At this time, no new properties are to be added to the CRE portfolio.

GENERAL FUND AND OTHER NON-SEGREGATED INVESTMENT (“GEFONSI”): An investment pool managed by the Alaska Department of Revenue Treasury Division. The pool buys fixed income securities on behalf of the Trust and tracks the earnings and value of the Trust’s share of the pool.

LIQUID ASSETS: Assets of the Alaska Mental Health Trust Authority that are invested through the DOR, under management of the Treasury Division, and also through the APFC.

NON-LIQUID ASSETS: Assets of the Alaska Mental Health Trust Authority that consist of real property and natural resource assets. Such assets are overseen by the TLO with the exception of the Commercial Real Estate investments, which are overseen by the CEO.

SETTLEMENT: The statutes, settlement agreement, letters clarifying the settlement agreement, and the final Superior Court order creating and approving the settlement of Weiss v. State of Alaska.

SETTLEMENT LAND: The properties and associated improvements transferred to the Trust as part of the original Mental Health Enabling Act (PL 94-830) as well as the properties subsequently transferred to the Trust as replacement lands via the Settlement.

STAFF: The CEO, CFO, Trust Land Office Executive Director, all employees of the AMHTA and the TLO.

TRUST: The Alaska Mental Health Trust established by Congress under the Mental Health Enabling Act of 1956.

TRUST AUTHORITY: The Alaska Mental Health Trust Authority established by AS 44.25.200.

TRUST AUTHORITY DEVELOPMENT ACCOUNT ("TADA"): The holding place for cash principal until it is transferred to the APFC for investment alongside the Alaska Permanent Fund. The account also holds some funding for previously authorized development projects that are being completed. The account is maintained on the state accounting system as GASB fund 3320. Prior to September 2014, this account was referred to as the Trust Land Development Account.

TRUST AUTHORITY OFFICE (TAO): The office with responsibility for providing support to the chief executive officer and Board of Trustees in management of Trust financial assets and in assuring development of the Integrated Comprehensive Mental Health Program.

TRUST LAND OFFICE ("TLO"): The office with responsibility for management of the Trust non-liquid assets and natural resource assets and associated improvements established within the Department of Natural Resources under AS 44.37.050.

TRUST LAND OFFICE DEVELOPMENT ACCOUNT ("TLODA"): A component of the Budget Reserves, where a portion of spendable income has been assigned for future use on natural resource development projects

or other activities authorized by the Trustees. The account is maintained on the state accounting system as GASB fund 3322. The account was originally authorized by Resolution 05-04.

TRUST LAND OFFICE (“TLO”) EXECUTIVE DIRECTOR: In fulfilling the contract with the Board described in AS 37.14.009, this staff position serves the commissioner of the Department of Natural Resources as the Executive Director of the Trust Land Office. Per the Memorandum of Understanding with the Department of Natural Resources, the Commissioner has delegated the authority to select/replace the Executive Director to the Trust with concurrence of the Commissioner.

TRUST LAND PORTFOLIO: The non-liquid assets of the Alaska Mental Health Trust Authority that are managed by the Trust Land Office, including improved properties and facilities. The land portfolio includes properties acquired through the Settlement as well as other properties acquired for program related investment (“PRI”).

TRUST SETTLEMENT INCOME ACCOUNT (“SIA”): The GeFONSI account in which income available for appropriation and expenditure is deposited (and from which agencies receiving MHTAAR funded appropriations expend). The account is maintained on the state accounting system as GASB fund 1092.

TRUSTEE(S): A member or members of the Board.

Trust

Alaska Mental Health Trust Authority

Alaska Mental Health Trust Authority

Asset Management Policy Statement
Adopted: ~~May 22, 2024~~ August XX, 2025

Asset Management Policy Statement

Purpose

The Asset Management Policy Statement ("AMPS") specifically delineates the asset management philosophy and practices of the ~~board~~ Board of ~~trustees~~ Trustees (the ~~board~~ "Board") of the Alaska Mental Health Trust Authority (the ~~Trust~~ "AMHTA"). It has been developed to serve as the management plan for those assets entrusted to the ~~board~~ Board. The ~~board~~ Board believes it is essential to adopt a long-term plan by which these assets will be ~~maintained and enhanced through prudent management~~ prudently managed. The AMPS may be revised by action of the ~~board~~ Board, and should be reviewed annually. The ~~board~~ Board has adopted the AMPS to serve as that long-term plan, in order that:

- there be a clear understanding on the part of the ~~trustees~~ Board, staff, beneficiaries, and the public as to the objectives, goals, and restrictions with regard to the management of Trust assets;
- assets be structured and managed in a prudent manner; and
- there be a meaningful basis for performance evaluations of asset classes, managers, and strategies used to achieve the management objectives.

Background

Creation of the Trust

The Alaska Mental Health Trust (the Trust) was established by Congress under the [Alaska](#) Mental Health Enabling Act of 1956 ("[Act](#)"). The ~~1956 law~~ [Act](#) included a grant to the State of Alaska of one million acres of land to be used to generate revenues to ensure the development of an [Integrated](#) Comprehensive ~~Integrated~~ Mental Health Program for the State of Alaska. In the ~~mid-mid~~-1980s, a class-action citizen lawsuit, *Weiss v. State*, was filed, alleging the mismanagement of these lands. In 1994, the Alaska Legislature passed legislation that was subsequently approved by the Alaska Superior Court as a settlement of the litigation (the ~~settlement~~ "[Settlement](#)").

Settlement Framework

The ~~settlement~~ [Settlement](#) reconstituted the Trust with an initial \$200 million in cash and nearly one million acres of land. ~~A~~ [The Board consists of seven-](#)members ~~board and it of trustees~~ was created and charged with the responsibility of administering the Trust. The ~~settlement~~ [Settlement](#)

included statutory language (AS 37.14.009(a)) that assigned the Alaska Permanent Fund Corporation (“APFC”) management of the Mental Health Trust Fund and assigned the Department of Natural Resources (“DNR”) management of Trust land, natural resource assets, and associated improvements. The 1994 legislation required DNR to establish a separate unit, the Trust Land Office (“TLO”), for this purpose. Other Trust funds, such as Trust income allocated for annual mental health program spending, a portion of budget reserves, and, on a short-term basis, cash receipts generated by the TLO are managed by the Department of Revenue (“DOR”).

The ~~board~~ Board directs the financial management of the earnings from the assets of the Trust into programs and projects that are designed to improve the lives of Trust beneficiaries: Alaskans who experience mental illness, developmental disabilities, chronic alcoholism, ~~Alzheimer’s disease and related dementia, traumatic brain injury and substance abuse disorders (see AS 44.25) and others who suffer major mental illness as set forth in AS 44.25.290 and 20 AAC 40.~~

Mission Statement

The board has adopted the following mission statement for the Trust:

The Alaska Mental Health Trust Authority (the Trust) administers the Mental Health Trust to improve the lives of beneficiaries. Trustees have a fiduciary responsibility to protect and enhance trust assets in perpetuity for the beneficiaries. The Trust provides leadership in advocacy for and planning, implementing and funding of the Integrated Comprehensive ~~Integrated~~ Mental Health Program; and acts as a catalyst for change.

Commented [SC1]: A revised Mission Statement may be developed during the August Strategic Planning session, which may need to be inserted here.

Roles and Responsibilities

Board of Trustees

Established by AS 44.25.200210, the ~~board~~ Board of trustees consists of seven members and it is the governing body for the Alaska Mental Health Trust Authority. The ~~board~~ Board has the responsibility of establishing and maintaining ~~broad~~ Board policies and objectives for the prudent management of Trust assets. The Board establishes broad policies and sets the direction for asset management in this AMPS. ~~The board delegates the implementation of these policies to the board’s finance committee, resource management committee, executive committee and to staff.~~ In doing so, the ~~board~~ Board maintains a “top-down” perspective, focusing on important policy-level issues, and maintaining the proper fiduciary perspective and time horizon for analysis of the performance of Trust assets. The Board may, from time to time, seek the input of third-party

experts, such as investment managers or consulting firms, to assist with their fiduciary responsibilities.

Finance Committee

The ~~board-Board of trustees~~ has established a ~~finance-Finance committee Committee~~ to assist the ~~board-Board~~ in the financial oversight and strategic financial planning for the Trust. This ~~committee-Committee~~ consists of three current voting members of the ~~board-Board of trustees and the Board chair as a non-voting member~~. The Finance Committee considers the overall financial performance of Trust assets, including the real estate and natural resources managed by the Trust Land Office, and makes recommendations to the ~~board-Board~~ when necessary. The ~~Finance committee-Committee~~ will consult with the Chief Financial Officer and Chief Executive Officer to oversee the implementation of this AMPS. Additional responsibilities may be found in the ~~Finance committee-Committee~~ charter. The Committee may, from time to time, seek the input of third-party experts retained by AMHTA, such as investment managers or consulting firms, to assist with their fiduciary responsibilities.

Resource Management Committee

The ~~board-Board of trustees~~ has established a ~~resource-Resource management Management committee-Committee~~ to assist the ~~board-Board~~ in the oversight and strategic planning for the land, natural resource assets, and associated improvements held by the Trust. This ~~committee-Committee~~ consists of three current voting members of the ~~board-Board of trustees and the Board chair as a non-voting member~~. The ~~Resource Management committee-Committee~~ will consult with the Chief Executive Officer and the Trust Land Office to oversee ~~the implementation of this AMPS regarding~~ the Trust's land, natural resource assets, and associated improvements by the Department of Natural Resources. The Resource Management Committee will also seek the advice and input from the Finance Committee when considering the allocation of resources to the TLO for resource development, including the utilization of funds from the Trust Land Office Development Account. Additional responsibilities may be found in the ~~committee-Resource Management Committee~~ charter. The Resource Management Committee may, from time to time, seek the input of third-party experts retained by AMHTA, such as investment managers or consulting firms, to assist with their fiduciary responsibilities.

Chief Executive Officer

As defined by AS 44.25.230, the Chief Executive Officer ("CEO") is the staff

position that serves the ~~board~~ Board as the Chief Executive Officer and is responsible for the day-to-day management of the AMHTA. The ~~Chief Executive Officer-CEO~~ implements the policies established by the ~~board~~ Board of trustees according to the authorities and guidelines provided in state statute, regulations, AMHTA by-laws and the Chief Executive Officer CEO charter. Additionally, the CEO serves as the manager of the AMHTA's investments in Commercial Real Estate Limited Liability Corporations, if any, and may utilize the expertise of third-party asset managers and other consultants to assist with this responsibility.

Chief Financial Officer

The Chief Financial Officer ("CFO") provides reports on investment activity and results, as well as provides general oversight of the Trust investments. As part of the annual budgeting process, the ~~Chief Financial Officer-CFO~~ will make a calculation and a recommendation to the Finance Committee as to the amount of money that should be withdrawn for the investment accounts to fund Trust activity. Where investment managers require administrative direction from the Trust-AMHTA to implement the investment policies and strategies (such as rebalancing activities) the ~~Chief Financial Officer-CFO~~ provides that direction in accordance with established Board policies.

Trust Land Office (TLO)

The ~~office-TLO~~ has responsibility for management of the Trust's property and land, natural resource assets, and associated improvements. The TLO was established within the Department of Natural Resources under AS 44.37.050.

~~Trust Land Office (TLO)~~ Executive Director

The TLO Executive Director has overall responsibility for the management of approximately one million acres of Trust land with accountability to the AMHTA. This position reports to the Chief Executive Officer of the Trust. In fulfilling the contract with the board described in AS 37.14.009, this staff position serves the commissioner of the Department of Natural Resources as the Executive Director of the Trust Land Office. Per the Memorandum of Understanding with the Department of Natural Resources, the Commissioner has delegated the authority to select/replace the Executive Director to the Trust with concurrence of the DNR Commissioner.

Alaska Permanent Fund Corporation ("APFC")

The Alaska Permanent Fund Corporation-APFC manages the Mental Health AHMTA Investment Policy Statement, May 22-August XX, 20242025

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Trust Fund and other Trust assets as agreed by the ~~trustees~~ Board and APFC in accordance with AS 31.14.009.

Department of Revenue (“DOR”)

The ~~Department of Revenue~~ DOR manages funds for the State of Alaska, including ~~Trust~~ AMHTA budget reserves and other short-term investments.

Statement of Asset Management Philosophy

The AMPS serves as a framework to ensure the necessary resources are available to both current and future AMHTA beneficiaries. The AMPS helps the ~~board~~ Board effectively supervise, monitor, and evaluate the investment and management of the Trust’s liquid and non-liquid assets. The short-term cash, liquid and non-liquid investment programs and Trust land and resource management program are defined in the various sections of the AMPS by:

- stating in a written document the ~~board’s~~ Board’s expectations, objectives, and guidelines for management of the short-term cash, liquid and non-liquid assets;
- complying, or ensuring compliance, with all applicable fiduciary, ~~prudence~~ prudent investor, and due diligence requirements that experienced investment professionals and land managers would reasonably utilize, and with all applicable laws, rules, and regulations that may impact Trust assets;
- setting forth an investment structure for the ~~liquid assets of the~~ Trust; this structure includes various accounts, asset classes, investment management styles, risk tolerance, asset allocation and acceptable ranges that, in total, are expected to produce a sufficient level of overall diversification and total investment return over the long-term;
- establishing guidelines for management of the Trust’s non-liquid assets consistent with the TLO’s long-term asset management strategy as defined in 11AAC 99.090(c);
- monitoring, evaluating, and comparing the investment performance results achieved by APFC, DOR, and TLO on a regular basis;
- encouraging effective communications between the ~~trustees~~ Board, staff, APFC, DOR, and TLO;
- establishing a framework to aid ~~trustees~~ the Board in determining the annual available funding amount for ~~protection and enhancement of Trust assets and~~ spending on behalf of the beneficiaries in mental health programs and projects, and protecting and enhancing the value of the Trust for future beneficiaries; and
- ~~aligning asset management strategies with the time horizons~~

~~identified in the comprehensive mental health plan.~~

This AMPS is formulated upon the ~~board's~~ Board's consideration of the financial implications of a wide range of policies and describes the prudent ~~liquid, and non-liquid~~ investment processes that the ~~trustees~~ Board deems appropriate.

The ~~board~~ Board recognizes that even though its investments are subject to short-term volatility, it is critical that a long-term investment focus be maintained. This prevents ad-hoc revisions to the ~~board's~~ Board's philosophy and policies in reaction to either speculation or short-term market fluctuations.

The ~~board~~ Board recognizes that the Trust has many stakeholders with differing levels of expertise and will make reasonable efforts to develop policies that are easily communicated to ~~partner~~ statutory boards, ~~advisors~~, and other stakeholders, so that the framework for decision making is clear and transparent.

Asset Management Objectives

The asset management objectives of the Trust have been established by the ~~board~~ Board in conjunction with a comprehensive review of the Trust's current and projected financial requirements. The investment earnings from liquid assets and income produced from ~~Trust~~ non-liquid assets will be used to ~~protect and enhance the value of Trust assets and~~ implement annual mental health program funding strategies ~~and to protect the enhance the value of the Trust for future beneficiaries~~. Accordingly, investment results and Trust land resource management decisions are critical elements in achieving the outcome objectives of the Trust. ~~The overarching asset management objective is to maintain appropriate cash asset allocation and trust land management policies that are compatible with the spending policy while still having the potential to produce positive real returns.~~

Short-Term Cash Management Objectives

Specific short-term cash management objectives are to:

- primarily protect the Trust's short-term capital needs;
- achieve a rate of return comparable to that offered by short-term savings accounts such as money market funds or investment grade short duration bonds;
- allow for as-needed liquidity to meet the cash flow needs of the Trust.

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.

Non-Liquid Asset Management Objectives

The TLO Executive Director and CEO when managing Specific non-liquid land, and natural resources management and commercial real estate shall adhere to all of the following objectives are to:

- protect and enhance the non-cash asset value and productivity of Trust property;
- maximize long-term revenues from Trust non-liquid assets over time;
- protect and enhance the long-term productivity of the non-liquid assets;
- encourage a diversity of revenue-producing uses of Trust non-liquid assets;
- manage Trust land prudently, efficiently, and with accountability to the Trust and its beneficiaries; and
- use Trust non-liquid assets for beneficiary purposes, when such use is found to be in the best interest of the Trust and its beneficiaries.

Guidelines and Investment Policy

Time Horizon

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

Short-Term: The Trust ~~invests—maintains~~ funds that are held temporarily, pending use by Trust programs or other investment decisions. These investments have an approximate time horizon ~~of up to~~ 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—account~~ managed by the Department of

Revenue¹. The GeFONSI ~~pool-account~~ is intended to produce ~~moderate cash-like~~ returns with low levels of risk; accordingly it holds a mix of ~~high~~ ~~high-quality, short-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 ("~~SIA~~"): ~~(GeFONSI Fund 1092)~~
- Trust Authority Development Account ("~~TADA~~"): ~~(GeFONSI Fund 3320)~~
- ~~Central Facilities Fund Trust Land Office Development Account~~ ("~~TLODA~~"): ~~(GeFONSI Fund 3322)~~

From time to time, as part of the operations of the ~~commercial-Commercial real Real estate-Estate~~ portfolio, the Trust may also hold cash, certificates of deposit, or money market accounts in federally insured banks. These funds are generally invested in low-risk, highly liquid accounts and include:

- Operating Accounts for Building management
- Property Reserves for Capital Improvements

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 managed by DOR

Long-Term: The Trust also invests funds for the benefit of future beneficiaries. These investments are managed for long term growth, with a time horizon of seven ~~years and beyond to twenty years~~. Investments in this area include:

- Mental Health Trust Fund, including Budget Reserves managed by APFC
- Commercial Real Estate holdings managed by the ~~TLO~~ Chief Executive Officer
- TLODA projects managed by the TLO

Risk Tolerance

~~Investment risk is generally correlated with investment returns. The potential for investments to perform differently than anticipated (producing either significantly better or worse returns) is referred to as volatility. Deciding how much volatility within the portfolio is acceptable is a critical decision in determining potential investment results and achieving positive investment results, net of inflation. The Trust considers both the risk associated with specific investment strategies as well as the aggregate risk to total Trust assets.~~

¹ Additional information regarding the GeFONSI pool can be found at <https://treasury.dor.alaska.gov/home/investments/gefonsi>
AHMTA Investment Policy Statement, ~~May 22~~ August XX, 2024 ~~2025~~

The board recognizes the difficulty faced by APFC, DOR and DNR in meeting investment and Trust land resource management objectives because of the uncertainties and complexities of contemporary investment markets and the non-liquid asset management operating arena. The board also recognizes that some risk must be assumed to achieve the APFC's long term investment objectives, the DOR's Budget Reserve investment objectives, and the TLO's land management objectives. Further, in commingling Trust liquid assets with the Alaska Permanent Fund managed by the APFC, the ability to withstand short and intermediate term market volatility has been considered. The board will review the realized five year and ten-year risk (standard deviation) of the Trust on a periodic basis (not less than once every three years) to ensure the Trust's overall portfolio has not exhibited an undue level of risk.

Asset Allocation

Careful allocation of Trust capital is an essential component of managing the overall potential return and portfolio risk profile and of the Trust's potential return. Investing decisions strive for a balance between overweighting capital in a narrow section (*concentration risk*) and distributing capital so broadly that investments are not focused and generate mediocre results. Asset allocation is the framework for managing investment decisions to achieve the desired result within an acceptable range of risk.

The Trust has unique features when considering asset allocation:

- By investing as a commingled account at the Alaska Permanent Fund, the Trust benefits from substantial economies of scale and reduced costs. However, the Trust cannot adjust the asset allocation or the investment strategies employed by APFC and is subject to periodic changes to the return and risk targets adopted by APFC.
- Through the Settlement the Trust holds approximately one million acres of land throughout Alaska. This is a substantial asset for the Trust, but it has limited liquidity and is concentrated in Alaska.
- Associated with the land holdings, the Trust participates in natural resource development (harvesting timber, mining, oil & gas production, etc.). This creates some sensitivity to commodity prices, foreign exchange rates, and overall economic environment.
- The Trust holds direct real estate investments in several commercial properties. The funds invested in these assets represent less than 10% of total Trust assets and have limited liquidity. The Commercial Real Estate portfolio has entered wind-down/liquidation and no new properties will be added to the program.
- The Trust maintains a commitment to serving beneficiary needs through the provision of facilities at lease rates that may differ from market rates. These program-related assets generate limited

financial return to the Trust and should be excluded from asset allocation calculations. ~~may need to be considered as a separate asset class than other real estate investments.~~

- ~~By investing as a commingled account at the Alaska Permanent Fund, the Trust enjoys economies of scale and reduced costs. However, the Trust cannot adjust the asset allocation or the investment strategies of the Alaska Permanent Fund, and is subject to periodic changes to the return and risk targets adopted by APFC.~~
- ~~The Trust holds direct real estate investments in several commercial properties. The funds invested in these assets represent less than 10% of total Trust assets and have limited liquidity.~~

Considering these factors, the Finance Committee shall review the asset allocation annually following completion of the annual financial statement audit recommend an and adjustment to the asset allocation to the Board between the various accounts and the risk profile of the DOR Budget Reserve as necessary to achieve Trust objectives. The ~~Chief Financial Officer~~CFO, in coordination with external consultants, will provide the Finance Committee with an aggregate report of current asset valuations and make recommendations ~~for reallocations for trustee Board consideration. Asset allocation amounts are based on a range of invested funds rather than a dollar threshold.~~The Trust assets are ~~distributed as follows~~include:

Investment Manager	Account	Risk Profile (1=Low, 5=High)	Asset Allocation
Department of Revenue (Cash or GeFONSI)	<u>GeFONSI</u>	<u>Low1</u>	Established by the Manager ²
Department of Revenue (Budget Reserves)	<u>Budget Reserves</u>	<u>Moderate2</u>	Established by the Manager with Trust direction ³
Alaska Permanent Fund Corporation(Trust Fund and Reserves)	<u>Trust Fund and Reserve Balances</u>	<u>Moderate3</u>	Established by the Manager ⁴
Trust Land Office- Commercial Real Estate, LLCs (CEO and Third-Party Manager(s))	<u>Commercial Real Estate</u>	<u>Moderate4</u>	Established by the Trust ⁵
Trust Land Office TLODA	<u>TLODA Projects</u>	<u>Moderate5</u>	Established by the

² Department of Revenue investment policies and allocations are published on line at:

http://treasury.dor.alaska.gov/Portals/0/docs/blue_book/investment_policies_and_procedures.pdf

³ The Trust gives broad guidance around which Department of Revenue investment funds the Trust should participate in. Descriptions of the allocations and investment pools are published on line at: http://treasury.dor.alaska.gov/Portals/0/docs/blue_book/investment_policies_and_procedures.pdf under the section Z-1.

⁴ The Permanent Fund Asset Allocation framework and targets are published at:

<https://apfc.org/diversification-framework-asset-allocation/>

⁵ Current allocation is ~~seven-four~~ properties, with approximately \$~~40-25.6~~ million in invested funds.

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Projects (including PRI activity)			Trust ⁶
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Performance Expectations

A ~~substantial-significant~~ factor in achieving positive long term investment results is the costs and fees associated with investment services. The Trust has two ~~external~~ managers that handle financial investments: the Alaska Permanent Fund Corporation and the Department of Revenue. Because of the ~~amount-ofsubstantial~~ assets managed by ~~the Permanent Fund Corporation~~ APFC⁷ and ~~the State of Alaska GeFONSI investment pool~~ DOR⁸ the Trust receives the benefit of their purchasing power and economies of scale. This relationship allows for investments to be made at a lower cost than what would otherwise be available to the Trust and contributes to the ~~long-long~~ term growth of Trust investments. Accordingly, the Trust seeks to work with these agencies as our investment managers whenever possible.

Short-Term and Liquid Asset Managers

Alaska Permanent Fund Corporation

APFC management responsibilities for the ~~Trust's principal AMHTA~~ are provided for in APFC statute and a memorandum of agreement between the Trust and the APFC ("APFC MOA").

The ~~board-Board~~ reviews the long-term performance, risk, and liquidity characteristics of the APFC-managed investments on a periodic basis (but not less than annually) ~~and evaluates whether the APFC's asset allocation strategy meets the long-term investment return objective of the Trust with an acceptable level of risk.~~ The ~~finance-Finance committee-Committee~~ will meet with ~~representatives from the APFC investment staff~~ on a periodic basis (but not less than annually) to review the APFC's investment strategy ~~and adherence to investment policy and guidelines.~~

The performance target for ~~the APFC investments~~ will be APFC's current ~~Blended-custom~~ Performance Benchmark, as outlined by the APFC, ~~along with APFC's long-term Total Fund Return Objective of CPI+5%.~~

Department of Revenue

The asset allocation for Budget Reserves under management of the ~~DOR~~ Treasury Division is directed by the ~~trustees~~ Board.

⁶ ~~The Trust has made an allocation of up to \$8 million in development projects, but has not yet approved projects from this account.~~

⁷ \$65-84 Billion as of ~~May 2019~~ February 2025

⁸ \$3 Billion as of ~~May 2019~~ February 2025

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The ~~Department of Revenue~~DOR Treasury Division holds and manages ~~one half~~75% of the Budget Reserve, cash balances of the ~~Central Facilities Trust~~ Land Office Development Account ~~Fund~~, cash balances of the Trust Authority Development Account, and on a short-term basis the ~~revenue income~~ generated by the TLO and Trust income allocated by the ~~trustees~~ Board for spending on the ~~Integrated~~ Comprehensive ~~Integrated~~ Mental Health Program ~~held within the Settlement Income Account~~.

Commented [SC2]: May need to be updated per Trustee direction.

Commented [SC3R2]: Revised per our 7/17/25 discussion, will require call-out during presentation as Trustees must approve this change.

Investments of the Budget Reserves are made pursuant to guidance provided by ~~staff~~the CFO under the fiduciary direction of the ~~board~~Board. In executing their duties, the ~~finance~~Finance ~~committee~~Committee shall periodically (not less than every three years) review asset allocation independently or request consultation from outside entities and, if appropriate, recommend the ~~board~~Board adopt changes.

The ~~Central Facilities Fund~~TLODA, TADA, and SIA ~~are~~is currently invested ~~alongside the General Fund and other Non-Segregated Investments (in the GeFONSI account)~~. The ~~finance committee shall periodically (not less than every three years) review the cash balances of the Trust in conjunction with projected expected expenditure or reinvestment demand and recommend an asset allocation to the board.~~

The performance target for the Budget Reserves managed by the ~~Department of Revenue~~DOR ~~are~~is reviewed ~~approved~~by ~~Trustees~~the Board on at least an annual basis, with any revisions approved by the Board. The performance target for the GeFONSI ~~account is funds~~are specified in the Investment Policy Statement that is approved by the Commissioner⁹ of Revenue on an annual basis⁹. a

Non-Liquid Asset Managers

Trust Land Office

The TLO manages the Trust's non-liquid assets, ~~with the exception of the Commercial Real Estate portfolio~~, on behalf of the ~~trustees~~AMHTA, in accordance with applicable statutes, regulations, and a memorandum of understanding between the Trust and DNR ("DNR MOU"). The land resource component of the Trust is made up of Alaskan land parcels, natural resource assets, and associated improvements. TLO management responsibilities are provided for in AS 38.05.801, 11 AAC 99, and the DNR MOU.

~~TLO outcomes are projected each budget cycle with annual outcomes addressed in annual TLO budgets approved by the board. While the TLO consults primarily with the resource management committee of the board on specific transactions, consultation can also occur between the TLO and~~

⁹ Department of Revenue investment policies and allocations are published on line at: [http://treasury.dor.alaska.gov/Portals/0/docs/blue book/investment policies and procedures.pdf](http://treasury.dor.alaska.gov/Portals/0/docs/blue%20book/investment%20policies%20and%20procedures.pdf)
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~~the Trust Administration Office (TAO) and between the TLO and the board, in accordance with specific board policies or transaction circumstances.~~

~~The performance of direct private equity real estate will be annually evaluated using an index or indices determined by the finance committee. The performance of any projects funded through TLODA will be presented to the Board on at least an annual basis, including the calculation of financial metrics such as an internal rate of return ("IRR") along with multiple on invested capital ("MOIC") and distributions to paid-in capital ("DPI") ratios. Such calculations are to be performed by the CFO, with the assistance of the TLO and third-party experts on an as-needed basis. TLODA projects should also be compared on a time-weighted basis versus a commodity-sensitive performance index, such as the FTSE CoreCommodity CRB® Index or similar, along with the performance of the APFC. –~~

General operating expectations for the TLO are governed by the Resource Management Strategy document. Of note are as follows:

- ~~• TLO will focus first on land or resources at the high end of their market values ("Best Markets") and then on land or resources with Best Market potential within the next two to ten years;~~
- ~~• land or resources not included above will be considered "Long Term Market" lands, with TLO management emphasis placed on reasonable value preservation and enhancement actions in the interim;~~
- ~~• generally, the TLO will focus on transactions that:
 - ~~— maximize return at prudent levels of risk;~~
 - ~~— contribute to a diverse assortment of resource activity;~~
 - ~~— provide ancillary values to the Trust; and~~
 - ~~— remove or prevent liability risks;~~~~
- ~~• leases are preferred over sales and, when reasonable to do so, land values should be enhanced before disposal through lease or sale;~~
- ~~• transactions should not harm values of or future opportunities associated with other Trust lands;~~
- lands, structures, and resources may be acquired when the acquisition will add value to the Trust's non-liquid asset portfolio through the Trust Land Office Development Account or will contribute to the mission of the Trust as a program-related investment, upon approval of the Board;
- investments in Trust land, including improvements funded by the Trust Land Office Development Account, should be consistent with the guidelines in the Resource Management Strategy and, when expected to generate increased value for the Trust, the proposed results should compete favorably with the projected long-term total rate of return of the Alaska Permanent Fund Corporation APFC (10-year geometric annualized projected return of 7.30% as of January 2025);

- ~~land exchanges may be considered, when associated costs and outcomes can be reasonably established;~~
- if beneficiary program uses of Trust lands are proposed at rents below fair market value, the increment between proposed rents and fair market value rents will be considered an allocation of Trust revenue and must be approved by the ~~board~~Board; and
- ~~lands, structures, and resources may be acquired when the acquisition will add value to the Trust's non-liquid asset portfolio or will contribute to the mission of the Trust in another way. All acquisitions will be analyzed on a 'Life Cycle Basis'; defined as the present value of the acquisition cost, the operating income/benefits during the holding periods and the value of the asset at disposition.~~

TLO revenue is allocated in accordance with ~~AS 13.38~~, 20 AAC 40.610, and this AMPS, ~~TLO revenue will be allocated as follows~~The current allocation is:

- To Principal: Land sale revenues; royalties from coal, gas, materials, minerals, and oil; perpetual easements; and 85% of revenues from timber sales.
- To Income: Interest from land sale contracts; bonus bids; rents; ~~distributions from the commercial real estate portfolio~~ and 15% of revenues from timber sales.

Commercial Real Estate Investments

The ~~TLO~~CEO monitors and manages the ~~Commercial real~~Real estate investment assets of the ~~Trust~~AMHTA. ~~The CEO may engage third-party asset management firms to assist with the monitoring and management of these assets. The TLO~~The third-party asset management firm provides advice and recommendations regarding Trust's non-liquid direct real estate investments to ~~trustees~~the Board when considering investment decisions.

The ~~board~~Board reviews the long-term performance, risk, and liquidity characteristics of the ~~real estate~~Commercial Real Estate investments on a periodic basis (but not less than annually).

The performance target for the assets is the NCREIF ~~Office Property~~ Sector Return and the performance of the APFC.

Control Procedures

AMPS Revisions

It is not expected that the AMPS will change frequently. In particular, short-term changes in the financial, real estate and natural resource markets and

associated operating arenas should not require adjustments to the AMPS. However, the ~~board~~ Board will review the AMPS at least annually to confirm it remains relevant. Additionally, the AMPS shall be reviewed if there is a ~~substantial sale of Trust non-liquid property or natural resource assets~~⁴⁰, a fundamental change to how APFC manages its portion of the liquid assets, alterations to the Trust's spending policy, or if the Trust is impacted by statutory revisions. All revisions to the AMPS should be performed in consultation with external advisors.

Short-Term and Liquid Assets

APFC & DOR performance will be reviewed quarterly by the ~~finance~~ Finance ~~committee~~ Committee who will report all performance to the ~~board~~ Board to determine the continued feasibility of achieving the investment and Trust land management objectives and the appropriateness of the AMPS for achieving those objectives.

Non- Liquid Assets (Including Land, Natural Resources, and associated Associated improvements Improvements and Commercial Real Estate(Non-Liquid Assets)

The TLO will maintain a level of management capacity necessary to prudently manage and develop Trust non-liquid assets, excluding the Commercial Real Estate investments, over time. It is understood that this component of Trust non-liquid asset management represents a significant expense to the Trust. Necessary management expenses will be reviewed and approved by the Finance Committee, Resource Management Committee and the Board on an annual basis.

The duties and responsibilities of the TLO are generally provided for in AS 38.05.801 and more specifically provided for in 11 AAC 99 and the DNR MOU. The specific management principles are provided for in 11 AAC 99.

TLO financial performance will be reviewed at least annually by the ~~finance~~ Finance ~~committee~~ Committee which will report all performance to the ~~board~~ Board.

A review of the Commercial Real Estate portfolio will be presented to the Finance Committee at least annually by the CEO and/or the third-party asset management firm.

Total Trust Performance

On at least an annual basis, the total financial performance of the Trust assets will be presented to the ~~board~~ Board. Performance will be compared

⁴⁰ A substantial sale is considered a transaction one that generates cash proceeds large enough to materially change the Trust's financial performance. Using the 4.25% distribution rate, a sale of \$23 million in property would increase the annual portfolio distribution by \$1 million over the 4-year averaging cycle.

to a blended benchmark consisting of the following indices (weighted based upon the Trust's allocation to each category as of the beginning of each fiscal year):

- APFC Allocation: APFC's ~~Blended~~ Performance Benchmark
- DOR Budget Reserves: Blended Benchmark ~~aligned with asset allocation as approved by the Board~~
- DOR GeFONSI: ~~Bloomberg Barclays 1-3 Year Gov't/Credit Index~~ GeFONSI's Custom Performance Benchmark
- TLODA Projects: ~~actual~~ Actual performance ~~of the TLODA Project program~~
- ~~TLO Commercial~~ Commercial Real Estate: NCREIF ~~Property Office~~ Sector Return

Investment Guideline Monitoring

On at least an annual basis, the investment accounts of the Trust should be reviewed by the CFO to confirm they are being managed in accordance with all applicable investment guidelines. Any areas of deviation from stated guidelines should be noted and monitored on a quarterly basis by the Board, with an understanding that immediate correction may not be financially prudent. Once any guideline breach has been corrected, the Board may return to annual investment guideline reviews. Investment guidelines are as follows:

- APFC: The APFC Board of Trustees approves the APFC Investment Policy, which can be found on its website¹¹. Confirmation of adherence to this policy should be part of the Board's annual review with the APFC.
- DOR Budget Reserves: The DOR manages the Budget Reserves account in accordance with a long-term asset allocation target established by the Board. This portfolio invests in a mixture of active and passive commingled investment vehicles and is rebalanced at least quarterly based upon cash flows in and out of the Trust. Any deviation from the long-term asset allocation targets should be minimal.
- DOR GeFONSI: Governed by the Investment Policy Statement approved by the Department of Revenue¹². It is anticipated that GeFONSI will not materially deviate from its stated investment guidelines.
- TLODA Projects: The TLO will implement all TLODA projects in accordance with the parameters for each project approved by the Board. The TLO will present an update on TLODA Projects to the Board on a periodic basis (but no less than annually).
- Commercial Real Estate: The Commercial Real Estate program is in

¹¹ The APFC Investment Policy can be found under the "Governance and Corporate Policies" archive online at: <https://apfc.org/report-archive/#14-35-governance-and-corporate-policies>

¹² The GeFONSI Investment Policy Statement can be found in section XII.A of the State of Alaska Department of Revenue Treasury Division Investment Policies and Procedures found at: http://treasury.dor.alaska.gov/Portals/0/docs/blue_book/investment_policies_and_procedures.pdf

wind-down/liquidation and no new properties should be added to the portfolio.

Cash Management Procedures

The Trust has elected to utilize the GeFONSI account, managed by DOR, as its short-term cash management investment vehicle. The Trust has three primary cash management accounts that utilize GeFONSI: TADA (account 3320), TLODA (account 3322) and SIA (account 1092). In general:

- TADA receives cash flows generated by TLO asset sales.
- TLODA receives capital from Trust reserves to fund TLODA activity and any other TLO-related expenditures as approved by the Board, including any capital needs of the Commercial Real Estate investment program. This account is expected to maintain a target working balance of \$2 million to cover the needs of the Central Facilities Fund, along with any funds approved for TLO development expenditures approved by the Board.
- SIA is the account from which income available for appropriation and expenditure is deposited. SIA ultimately funds the Mental Health Trust Authority Authorized Receipts ("MHTAAR"), AMHTA agency budget, TLO annual budget, and other authorized grants. SIA is expected to maintain a working balance of the current fiscal year's withdrawal plus any residual balances from previous withdrawals yet to be spent.

Spending Policies

The ~~board~~ Board has the authority to authorize the expenditure of Trust funds to ~~protect and enhance the value and productivity of Trust assets, for the award of grants and contracts in fulfillment of the Trust's purpose to ensure an Integrated Comprehensive Integrated Mental Health Program, to protect and enhance the value and productivity of Trust assets,~~ and, with legislative approval, the operating expenses of the Trust Authority Office ("TAO") and TLO. This ~~Spending spending Policy policy~~ outlines five ~~board Board~~ objectives:

1. follow a spending policy based upon a sustainable percentage of investment net asset values ~~and expendable income from Trust land management.~~
2. apply smoothing mechanisms to mitigate the effects of short-term market volatility on spending and maintain a reliable funding stream to ensure the support of an Integrated Comprehensive ~~Integrated~~ Mental Health Program for the beneficiaries;
3. maintain the purchasing power of the Trust principal, including addressing the effects of inflation, by using the reserve model

consisting of the Budget Reserve account originally recommended by Callan ~~Associates LLC~~ in 1996 ~~and updated in 2025~~; and

4. establish a Budget Reserve account to ensure funding support for the ~~Integrated~~ Comprehensive ~~Integrated~~ Mental Health Program is maintained in a difficult market environment;
5. ~~protect and enhance the ensure maximum resources are available to current and future beneficiaries corpus of the Trust~~ by allocating sufficient resources to ensure that Trust assets are properly managed, including the use of funds allocated to ~~the Trust Land Office Development Account~~ TLODA, where appropriate ~~and approved by the Board~~, to maximize the value and productivity of Trust non-liquid assets;

~~The board recognizes achieving Trust asset management objectives requires adequate resources be allocated for that purpose by reimbursing APFC and DOR, DNR for the reasonable costs of managing Trust assets.~~

Annual Available Funding Framework

Having a relatively consistent and predictable funding stream is paramount to ensuring an effective ~~Integrated~~ Comprehensive ~~Integrated~~ Mental Health Program. To mitigate the effects of periodic market volatility on funding, the ~~board~~ Board utilizes smoothing mechanisms to maximize funding consistency.

The following components have been established as a framework to aid ~~trustees~~ the Board in determining the annual available funding amount:

- An annual withdrawal calculation consisting of ~~4.254.50~~ percent of the rolling four year-end¹³ average of the actual net asset value ("NAV") at the end of fiscal year for the aggregate of the following:
 - Principal Invested at APFC¹⁴
 - Budget Reserve invested at APFC
 - Budget Reserve invested at DOR
- The rolling two year-end average of known and termed lapsed appropriations funded from the ~~Settlement Income Account~~ SIA¹⁵, or other process approved by the ~~board~~ Board to capture the value of prior year unused funds;

¹³ To ensure clarity and consistency in calculations, the year-end amounts referred to in the Annual Available Funding Framework are defined as the amounts/values as of the end of the fiscal year (June 30th) rather than the end of the calendar year (December 31).

¹⁴ Funds in the Trust operating accounts ~~Account~~ are not included in the payout calculation unless ~~Trustees~~ Board approves otherwise.

¹⁵ Settlement Income Account fund 1092 only. Lapsed appropriations funded from other sources are not included in the calculation.

- The most recent finalized rolling two year-end average of income generated by Trust Land Office TLO operations;
- The interest earned on cash held with in the General Fund and Other Non-Segregated Investments (GeFONSI) managed by DOR for the most recent fiscal year;
- The unobligated/unallocated funds that could have been authorized in previous fiscal years under this framework calculation; and
- Other miscellaneous unrestricted revenues properly deposited into the Trust Settlement Income Account SIA such as contributions from partner agencies and the recovery of prior year expenditures received after the funding appropriation lapsed.

Trustees-The Board reserves the right to expend additional funds when circumstances warrant. Concurrently, trustees-the Board acknowledges that principal assets are not available for expenditure.

The annual withdrawal calculation amount will be transferred to the Settlement Income Account SIA and invested with the GeFONSI in one or more transactions during each fiscal year with minimal risk on a lump sum or periodic basis, by the CFO in consultation with the CEO based on market conditions and cash flow needs.

Budget Reserve Guidelines

In order to fulfill funding requirements during market downturns, a Budget Reserve account will be maintained to help ensure funding availability. Based on a Callan Associates LLC study of the Alaska Permanent Fund and the Alaska Mental Health Trust Fund, the Budget Reserve is set at 400% of the targeted annual withdrawal calculation amount. This reserve amount should be adequate to provide maximum assurance that the Trust will be able to meet annual funding goals.

Approximately one-half 75% of the Budget Reserve shall be invested by the DOR. The remainder of the Budget Reserve shall be invested by the APFC in the same manner as the Principal.

When the APFC Budget Reserve allocation exceeds 100% experiences gains for a given year, the Budget Reserve at DOR will first be adjusted up to 200300% of the current year's targeted annual withdrawal calculation (if needed). If additional gains remain, adjustments will be made to the Budget Reserve invested by APFC. When the Budget Reserve is fully funded at both DOR and APFC, funds may be used to help offset the effects of inflation ("inflation proofing") by adjusting the Principal balance at APFC. The effect of inflation will be estimated by using US Department of Labor

Bureau of Labor Statistics CPI-U index¹⁶.

When the APFC or DOR experiences losses for a given year, the Budget Reserve at DOR ~~will~~may be maintained or adjusted to ~~200~~300% of the annual withdraw calculation from the Budget Reserve at APFC.

In the event of severe and/or sustained losses or withdrawals whereby the Budget Reserve is insufficient to meet the annual payout while maintaining at least ~~200~~300% of the current year's annual withdrawal calculation then the withdrawal rate or amount may be reviewed by the ~~trustees~~Board.

Full or partial inflation proofing may be facilitated by the following method:

- Inflation proofing permanent transfer (official non-spendable transfer)
 - Upon notification by the CFO that ~~trustees the Board have has performed approved~~ an official and permanent inflation proofing transfer, APFC will initiate an accounting entry to irretrievably transfer funds from Budget Reserves to the Mental Health Trust Fund Principal.

Trust Land Office Development Account Guidelines

~~The value and productivity of Trust liquid and non-liquid assets must be maximized through the reinvestment of Trust income where appropriate. This includes investments made through Program Related Real Estate (PRRE), the Resource Management Strategy (RMS) or other programs approved by trustees. To achieve ensure maximum resources are available to current and future beneficiaries, this objective,~~ the Board will maintain a Trust Land Office Development Account (TLODA) to use Trust income to exchange one asset for another, to maintain or enhance the value of the Trust's existing non-liquid asset portfolio, either through prudent investments in non-liquid assets already owned by the Trust or through the acquisition of additional assets. Assets in the TLODA may also be used to acquire assets that enhance the capacity of the state's mental health program, such as facilities for delivering services to beneficiaries. This may be accomplished through the financing of projects, purchase/lease of assets, exchange or resale.

Recommendations presented by the TLO for expenditure from the TLODA will be noticed in the same manner as other Trust expenditures, including presentation to ~~appropriate Trust committees~~the Finance and Resource Management Committees and final approval by ~~a committee or the board of trustees, as provided for in the Trust bylaws~~Board. Recommendations will be based upon a specific work investment plan with identified priorities. Such presentations should clearly detail the investment case for each TLODA project, including associated risks (including financial, operational, legal, and macroeconomic risks), and projected returns/internal rate of

¹⁶ Consumer Price Index All Urban Consumers; U.S.; All Items; 1967=100
AHMTA Investment Policy Statement, May 22~~August XX~~, 2024~~2025~~

return ("IRR") target for any proposed non-PRI/PRRE investments. These investments are expected to compare favorably with the projected long-term total rate of return of the Alaska Permanent Fund Corporation (10-year geometric annualized projected return of 7.30% as of January 2025).

Where TLODA funds are used to enhance the value of the Trust's existing non-liquid assets, each project will be accounted for individually and the proceeds-earnings from the project will be used to calculate performance metrics such as an internal rate of return (IRR), multiple on invested capital ("MOIC"), and distributions to paid-in capital ("DPI"). The trustees-Board may adjust the TLODA IRR target on a case-by-case basis, reflecting the unique circumstances of each project. Classifying these cash flows between principal and income shall be done at the direction of the trustees-Board, in accordance with 20 AAC 40.610.

The TLODA funded projects may involve real estate investment and natural resource development, asset classes- investments that are potentially illiquid or exposed to commodity price fluctuation commodity prices. Accordingly, the trustees-Board has established \$8 million as the maximum allocation to projects funded this account, representing approximately 1.5 of 2.0% of Trust liquid assets, calculated as follows:-

(Net TLODA Investments) /
(APFC Assets + DOR Budget Reserve Assets + Net TLODA Investments)

"Net TLODA Investments" is defined as the total amount invested from TLODA in TLO managed projects, less any funds returned from these projects up to the original investment amount. This amount does not become negative if returned capital from a project exceeds the initial cash outlay.

Additional allocations may be made in the future, depending upon the needs of the Trust.

Trust Land Office-Commercial Real Estate Guidelines

The commercial-Commercial real-Real estate-Estate assets-investments held by the Trust generate income through lease payments. These assets also have the potential to create value through appreciation, through a combination of property improvements, lease renewals, and overall economic growth. Management of these assets is outlined in the Resource Management Strategy and handled by the Trust Land Office-CEO. The CEO may choose to hire third-party asset management firms to assist with the management and oversight of the Commercial Real Estate investments, including the ongoing evaluation of potential property sales.

The Trust Land Office has been selected as the manager for these assets because of their unique and comprehensive knowledge of the Trust settlement lands and resources, which will minimize the potential for inadvertent concentration risk, their understanding of the Trust mission and

Commented [SC4]: This will need to be revised after Finance Committee/Board approval.

~~objectives, which will assist with the alignment of investment decisions along with the Comprehensive Integrated Mental Health Plan, and their ability to perform these duties within their current responsibilities thereby creating a low incremental cost for their services.~~

There are three key features associated with the ~~commercial~~ Commercial real estate-Estate assets that should be considered as part of the AMPS:

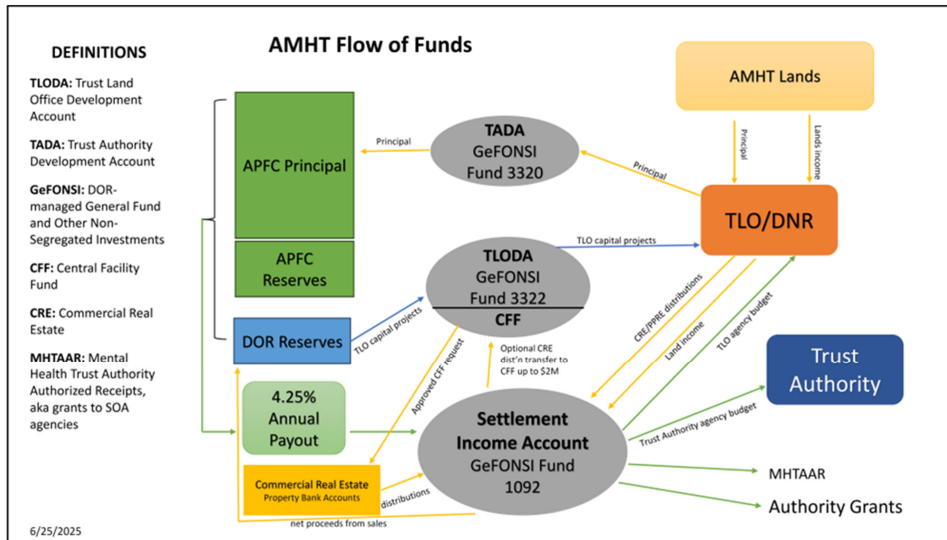
- Each property has an annual budget for operations, debt service, and maintenance/capital improvements. ~~Because these costs must be paid to preserve the value of the assets, i~~Income generated by the properties will be used to fund these costs first, prior to making distributions to fund beneficiary programs.
- The properties ~~utilize participate in~~ the Central Facilities Fund ("CFF") within TLODA, with contributions from the properties accumulating over time. These funds provide a cash flow cushion in the event that major improvements are needed to maintain the properties or to secure leases. The fund has a target of \$2 million and contributions to the fund should be made prior to making distributions to fund beneficiary programs.
- Certain properties have outstanding ~~mortgagesdebt~~. These ~~mortgages-loans~~ are structured as non-recourse debt, which limits the overall liability of the Trust. The terms of each mortgage, especially the timing of any balloon payment requirements, should be carefully considered as part of the overall investment strategy.

These assets ~~are managed by the Trust Land Office and~~ compose less than 10% of the Trust's overall investments. Each property has a commercial property manager that prepares an annual budget, collects the rents, and handles day ~~to-to~~ day operations. Expenditures must be part of the ~~trustee Board approved annual budget-and TLO staff monitor the monthly results of each property.~~

~~These assets serve two purposes: they provide a hedge against volatility in the stock market and they generate income that supplements the annual distribution from the Trust portfolio. The Trust may elect to sell these assets and replace them with different assets at any time.~~

Flow of Funds Diagram

The following chart serves as a high-level illustration of the general flow of funds among the various Trust accounts.



Definitions

For purposes of ease of administration and understanding of this Asset Management Policy Statement, the following terms are defined or clarified:

THE ALASKA PERMANENT FUND CORPORATION ("APFC"): The Alaska Permanent Fund Corporation manages the liquid assets of the Alaska Mental Health Trust Authority under the APFC's ~~board's~~ asset allocation policy as approved by the APFC Board of Trustees and its investment policies and guidelines for major asset classes.

ASSETS: Consists of the liquid and non-liquid assets of the Alaska Mental Health Trust Authority, including property and resource assets acquired by the TLO on behalf of the Trust.

BOARD: The governing body of the Alaska Mental Health Trust Authority established by AS 44.25.210 that consists of seven members.

BUDGET RESERVE: Budget Reserve is set at 400% of the targeted annual withdrawal amount. This reserve amount should be adequate to ensure the Trust's ability to meet its spending goals in a difficult market environment and to ensure liquidity in future years. The budget reserve is maintained both within the ~~state treasury~~ Department of Revenue Budget Reserve as well as the Alaska Permanent Fund Corporation.

CENTRAL FACILITY FUND ("CFF"): A component of the Trust Land Office Development Account used to finance operations and maintenance on buildings owned by the Trust, including capital improvements and leasing commissions for the Commercial Real Estate portfolio.

CHIEF EXECUTIVE OFFICER ("CEO"): The staff position as defined by AS 44.25.230 serving the ~~board~~ Board as the chief executive officer of the Alaska Mental Health Trust Authority.

CHIEF FINANCIAL OFFICER ("CFO"): The staff position serving as the chief financial officer of the Alaska Mental Health Trust Authority.

COMMERCIAL REAL ESTATE ("CRE") PORTFOLIO: A portfolio of commercial real estate properties held by the AMHTA. The CEO is responsible for management and potential disposition of the CRE portfolio. At this time, no new properties are to be added to the CRE portfolio.

GENERAL FUND AND OTHER NON-SEGREGATED INVESTMENT ("GEFONSI"): An investment pool managed by the Alaska Department of Revenue Treasury Division. The pool buys fixed income securities on behalf of the Trust and tracks the earnings and value of the Trust's share of the pool.

LIQUID ASSETS: Assets of the Alaska Mental Health Trust Authority that are invested through the ~~Department of Revenue (DOR)~~, under management of the Treasury Division, and also through the ~~Alaska Permanent Fund Corporation (APFC)~~.

NON-LIQUID ASSETS: Assets of the Alaska Mental Health Trust Authority that consist of real property and natural resource assets. Such assets are overseen by the ~~Trust Land Office (TLO)~~ with the exception of the Commercial Real Estate investments, which are overseen by the CEO.

SETTLEMENT: The statutes, settlement agreement, letters clarifying the settlement agreement, and the final Superior Court order creating and approving the settlement of Weiss v. State of Alaska.

SETTLEMENT LAND: The properties and associated improvements transferred to the Trust as part of the original Mental Health Enabling Act (PL 94-830) as well as the properties subsequently transferred to the Trust as replacement lands via the Settlement.

STAFF: The CEO, CFO, Trust Land Office Executive Director, all employees of the AMHTA and the TLO.

TRUST: The Alaska Mental Health Trust established by Congress under the Mental Health Enabling Act of 1956.

TRUST AUTHORITY: The Alaska Mental Health Trust Authority established by AS 44.25.200.

~~TRUST SETTLEMENT INCOME ACCOUNT: The GoFONSI account in which income available for appropriation and expenditure is deposited (and from which agencies receiving MHTAAR funded appropriations expend). The account is maintained on the state accounting system as GASB fund 4092.~~

TRUST AUTHORITY DEVELOPMENT ACCOUNT ("TADA"): The holding place for cash principal until it is transferred to the APFC for investment alongside the Alaska Permanent Fund. The account also holds some funding for previously authorized development projects that are being completed. The account is maintained on the state accounting system as GASB fund 3320. Prior to September 2014, this account was referred to as the Trust Land Development Account.

~~TRUST FACILITY MAINTENANCE ACCOUNT/CENTRAL FACILITY FUND: A component of the Settlement Income Account where a portion of facility rents are deposited to finance operations and maintenance on buildings owned by the Trust, including capital improvements and leasing commissions for the commercial real estate portfolio. The account is maintained on the state accounting system as GASB fund 3322. The~~

~~account was originally authorized by Resolution 05-04.~~

TRUST AUTHORITY OFFICE (TAO): The office with responsibility for providing support to the chief executive officer and Board of Trustees in management of Trust financial assets and in assuring development of the Integrated Comprehensive Mental Health Program.

TRUST LAND OFFICE ("TLO"): The office with responsibility for management of the Trust non-liquid assets and natural resource assets and associated improvements established within the Department of Natural Resources under AS 44.37.050.

TRUST LAND OFFICE DEVELOPMENT ACCOUNT ("TLODA"): A component of the Budget Reserves, where a portion of spendable income has been assigned for future use on natural resource development projects or other activities authorized by the Trustees. The account is maintained on the state accounting system as GASB fund 3322. The account was originally authorized by Resolution 05-04.

Commented [SC5]: Julie to research if this is a Board resolution?

TRUST LAND OFFICE ("TLO") EXECUTIVE DIRECTOR: In fulfilling the contract with the Board described in AS 37.14.009, this staff position serves the commissioner of the Department of Natural Resources as the Executive Director of the Trust Land Office. Per the Memorandum of Understanding with the Department of Natural Resources, the Commissioner has delegated the authority to select/replace the Executive Director to the Trust with concurrence of the Commissioner.

~~TRUST LAND OFFICE DEVELOPMENT ACCOUNT: A component of the Budget Reserves, where a portion of spendable income has been assigned for future use on natural resource development projects or other activities authorized by the trustees. The account is maintained on the state accounting system as GASB fund 3322. The account was originally authorized by Resolution 05-04.~~

TRUST LAND PORTFOLIO: The non-liquid assets of the Alaska Mental Health Trust Authority that are managed by the Trust Land Office, including improved properties and facilities. The land portfolio includes properties acquired through the Settlement as well as other properties acquired for program related investment ("PRI") and commercial investment properties.

~~SETTLEMENT: The statutes, settlement agreement, letters clarifying the settlement agreement, and the final Superior Court order creating and approving the settlement of Weiss v. State of Alaska.~~

~~SETTLEMENT LAND: The properties and associated improvements transferred to the Trust as part of the original Mental Health Enabling Act (PL 94-830) as well as the properties subsequently transferred to the Trust as replacement lands (June 10, 1994 settlement).~~

~~STAFF: The CEO, Trust Land Office Executive Director, all employees of the Trust and the Trust Land Office.~~

~~TRUST: The Alaska Mental Health Trust established by Congress under the Mental Health Enabling Act of 1956.~~

~~TRUST AUTHORITY: The Alaska Mental Health Trust Authority established by AS 44.25.200.~~

TRUST SETTLEMENT INCOME ACCOUNT ("SIA"): The GeFONSI account in which income available for appropriation and expenditure is deposited (and from which agencies receiving MHTAAR funded appropriations expend). The account is maintained on the state accounting system as GASB fund 1092.

TRUSTEE(S): The board of trustees of the Trust Authority, either collectively or individually. A member or members of the Board.

TRUST AUTHORITY OFFICE (TAO): The office with responsibility for providing support to the chief executive officer and board of trustees in management of Trust financial assets and in assuring development of the Comprehensive Integrated Mental Health Program.

TRUST LAND OFFICE (TLO): The office with responsibility for management of the Trust non liquid assets and natural resource assets and associated improvements established within the Department of Natural Resources under AS 44.37.050.

TRUST LAND OFFICE (TLO) EXECUTIVE DIRECTOR: In fulfilling the contract with the board described in AS 37.14.009, this staff position serves the commissioner of the Department of Natural Resources as the Executive Director of the Trust Land Office. Per the Memorandum of Understanding with the Department of Natural Resources, the Commissioner has delegated the authority to select/replace the Executive Director to the Trust with concurrence of the Commissioner.