

ALASKA MENTAL HEALTH TRUST AUTHORITY

FINANCE COMMITTEE MEETING

October 21, 2020

10:00 a.m.

WebEx Videoconference/Teleconference

Originating at:

3745 Community Park Loop, Suite 120

Anchorage, Alaska

Trustees Present:

Chris Cooke, Chair

Rhonda Boyles

John Sturgeon

Ken McCarty

Verne' Boerner

Annette Gwalthney-Jones

Anita Halterman

Trust Staff Present:

Mike Abbott

Steve Williams

Carol Howarth

Miri Smith-Coolidge

Kelda Barstad

Luke Lind

Michael Baldwin

Carrie Predeger

Katie Baldwin-Johnson

Jimael Johnson

Valette Keller

Allison Biastock

Kat Roch

Katie Vachris

Trust Land Office:

Wyn Menefee

Sarah Morrison

Jusdi Doucet

David MacDonald

Also participating:

Beverly Schoonover; Kristin Vandagriff; Becky Carpenter; Sheila Harris; Laraine Derr.

PROCEEDINGS

CALL TO ORDER

CHAIR COOKE called the meeting to order and began with a roll call. With all of the trustees present, he began with announcements. He stated that he was acting chair as Lorraine Derr was no longer with the Trust. Her seat was recently filled by Annette Gwalthney-Jones, and he extended his welcome to her. He continued that he would appoint someone to be Finance Committee Chair by the next board meeting in November. The main responsibilities are to chair the Finance Committee meetings and work with staff in preparing for those meetings. He moved on and 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 McCARTY.

After a roll-call vote, the MOTION was approved. (Trustee Boerner, yes; Trustee Boyles, yes; Trustee Gwalthney-Jones, yes; Trustee McCarty, yes; Trustee Sturgeon, yes; Trustee Halterman, yes.)

ETHICS DISCLOSURES

CHAIR COOKE asked for any ethics disclosures. Hearing none, he moved to the approval of the minutes. He asked for a motion for the July 30, 2020, meeting.

APPROVAL OF MINUTES

MOTION: A motion to approve the July 30, 2020, minutes was made by TRUSTEE BOYLES; seconded by TRUSTEE HALTERMAN.

After a roll-call vote, the MOTION was approved. (Trustee Boerner, yes; Trustee Boyles, yes; Trustee Gwalthney-Jones, yes; Trustee McCarty, yes; Trustee Sturgeon; Trustee Halterman, yes.)

CHAIR COOKE asked for a motion for the September 16, 2020, minutes.

MOTION: A motion to approve the minutes of September 16, 2020, was made by TRUSTEE HALTERMAN; seconded by TRUSTEE McCARTY.

CHAIR COOKE stated that meeting dealt primarily with the commercial real estate and was more of an informational meeting than an action meeting. He called the question.

After a roll-call vote, the MOTION was approved. (Trustee Boerner, yes; Trustee Boyles, yes; Trustee Gwalthney-Jones, yes; Trustee McCarty, yes; Trustee Sturgeon, yes; Trustee Halterman, yes.)

CHAIR COOKE moved on to staff reporting items and recognized Carol Howarth.

STAFF REPORTS

MS. HOWARTH began with the final numbers that were incorporated in the audited financials for fiscal year 2020. She stated that there is the full-year total, the full-year budget, and the

variance to plan. She noted the Trust expenditures, then the revenue and then the assets. In terms of the operating administrative activities, both the Trust Authority Office and the Trust Land Office were below plan, primarily due to reduced staffing and travel activities. Also because the State changed the charge-back processes which resulted in less charges coming from shared services. She continued her report, explaining and answering questions as she went through the revenue and the assets. She updated the dashboard that was seen in July with final numbers and then moved to the first quarter. She stated that it was important to recognize that the reserves are fluctuating, and are not the corpus. There is still a period of extraordinary volatility regarding the stock market, and the primary source of funding.

CHAIR COOKE stated, regarding reserves, that it may be appropriate to have a meeting or work session to discuss what to do with the surplus in the reserves account. He continued that some decisions ought to be made to either go on with what we have or develop a plan to utilize them in one way or another.

MR. ABBOTT agreed and stated that the Asset Management Policy Statement would suggest that the first priority for the use of excess reserves would be for inflation-proofing the Trust Fund. He added that this was imperative. He continued that the intent is to begin exploring with the committee in 2021 what inflation-proofing would look like and how that would affect the level of reserves there right now.

CHAIR COOKE agreed that there was an issue there that needs discussion and a decision, but not today.

MS. HOWARTH stated that as the Trust thinks strategically about the funds in the reserves, it is important to remember that both the reserves at the Permanent Fund and the Department of Revenue are managed the same as the corpus, and they are still generating the return seen in the investment performance. She moved to the revenue projections and stated that revenue is broken into categories and talked about them. She then discussed the lapsed appropriations, which are funds that have been budgeted for projects but not expended, and the moneys have expired. This year there are \$3.7 million rolling into the lapsed funds for fiscal year '20 from prior-year projects. She explained that there is basically \$3 million that can contribute to the overall available funding for the budget year. She moved to the Trust Land Office spendable income, and recognized Sarah Morrison.

MS. MORRISON stated that the TLO spendable income is deposited directly in the checking account and the prior year goes into spendable income for the next year. She explained that the spendable income is inclusive of distributions from the real estate investment properties. It was a good year, and we were on plan for most of the resource categories. She continued that there was good performance in surface leases, and we were over plan in timber sales. Overall, we were very close to plan.

MS. HOWARTH moved to cash management and stated that this was the interest earned off of the operating accounts, and it averaged out at just under a million dollars. She stated that normally there is money left over from prior years based on what is available versus what was budgeted. In this case, the trustees approved COVID response and ended with \$404,000 left in unobligated funding out of the total that was available from last year's revenue estimate. She then gave the trustees a snapshot of what the revenue forecasts could look like in the future.

She asked Ms. Morrison to continue.

MS. MORRISON talked about the funds being held in the reserves which should provide a bit of a boost to the fund availability for the disbursement. It was critical to note that in FY21 all the payments for the \$20 million Subport sale will be transferred to revenue and then moved to the Permanent Fund. She explained more of the Trust Land Office revenue that would go into this bucket of money with the principal. She then talked about the spendable income which should be a nice boost. She added that another new area is the big-game guides, which should bring in a few hundred thousand.

CHAIR COOKE asked about the big jump in assets for next year.

MR. ABBOTT explained that a significant principal revenue is expected over the next couple of years, which is a big source of it. He stated that the out-year projections will be wrong in that they may be higher or lower.

CHAIR COOKE noted that this was a heavy, substantive presentation and stated appreciation for all the effort gone into providing this material. He added that it was an excellent job of communication of this information. He moved to the two motions that were requested.

MOTION: A motion that the Finance Committee recommended that the Board of Trustees approve setting a target level for Trust Authority Development Account funds at \$1,710 million was made by TRUSTEE BOERNER; seconded by TRUSTEE HALTERMAN.

CHAIR COOKE asked for discussion.

MR. ABBOTT stated that it is pretty clear. There is currently \$1.41 million worth of anticipated obligations in the Trust Authority Development Account to continue paying for the Icy Cape exploration work and the US Forest Service land exchange development expenses.

CHAIR COOKE called the question.

After a roll-call vote, the MOTION was approved. (Trustee Boerner, yes; Trustee Gwalthney-Jones, yes; Trustee McCarty, yes; Trustee Sturgeon, yes; Trustee Halterman, yes; Trustee Cooke, yes.)

CHAIR COOKE moved to the next motion.

MOTION: A motion that the Finance Committee recommends the Board of Trustees authorize the Chief Financial Officer to transfer TADA funds that exceed the target level of the Alaska Permanent Fund Corporation for investment in the Trust Fund was made by TRUSTEE HALTERMAN; seconded by TRUSTEE STURGEON.

MR. ABBOTT explained that this was the standard annual authorization that would allow the CFO to move funds that accumulate in the TADA account beyond those that are necessary to meet those obligations described in the previous motion. This would authorize it for the balance of the year.

CHAIR COOKE asked what would become of the TADA account ultimately.

MR. ABBOTT replied that once the obligations described have been fully expended, it would not be appropriate to describe this account as a development account. Instead, it will be an account where principal earnings are deposited temporarily and then ultimately transferred, after board approval, to the Trust Fund. He added that it may also make sense to rename the account at that point. Proposals to that effect will be brought forward when the grandfathered allocations are ultimately satisfied.

CHAIR COOKE called the question.

After a roll-call vote, the MOTION was approved. (Trustee Boerner, yes; Trustee Gwalthney-Jones, yes; Trustee McCarty, yes; Trustee Sturgeon, yes; Trustee Halterman, yes; Trustee Cooke, yes.)

ASSET PERFORMANCE REVIEW

CHAIR COOKE moved to the asset performance review and asked if there was a handout.

MR. ABBOTT replied that it would be distributed to the trustees shortly. He explained that the charters anticipate that the trustees will be involved in a periodic investment review. This will be the first time going through this process since the charters created this expectation. What will be explored is looking at what this should look like and then work to come up with a way of doing this that suits the trustees and meets the expectations in the charters. Staff will work with the new Finance Committee Chair on the next steps. He stated that the goal is simply to introduce the topic. He asked Ms. Howarth to continue.

MS. HOWARTH stated, with regard to the charter, there are some expectations regarding to the Finance Committee. There are two elements: one of them is the Finance Committee does a review of the performance of the Permanent Fund, Department of Revenue, and then the TLO. She gave a high-level perspective of the current performance of all the assets. She added that this is a method that endowments use to look at the inflation-proofing of their total funds. This was interesting because it painted a picture that the Mental Health Trust's assets and the Trust Fund are in healthy positions. She also gave a high-level perspective of the categories of the accounts that fit those total assets. She then looked at the performance of the accounts and explained as she went through the information.

A short question-and-answer discussion ensued.

CHAIR COOKE asked for any other questions or comments or anything further on the Finance Committee matters from staff. There being none, he asked for a motion to adjourn the Finance Committee.

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

After a roll-call vote, the MOTION was approved. (Trustee Boerner, yes; Trustee Gwalthney-Jones, yes; Trustee McCarty, yes; Trustee Sturgeon, yes; Trustee

Halterman, yes.)

(Finance Committee meeting adjourned at 12:05 p.m.)