Trustees Present:
Chris Cooke, Chair
Rhonda Boyles
John Sturgeon
Brent Fisher
Annette Gwalthney-Jones
Verne’ Boerner

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
Eric Boyer
Autumn Vea
Allison Biastock
Kat Roch
Travis Welch
Jusdi Doucet
Karsten Eden
Katie Vachris

Trust Land Office:
Wyn Menefee
Sarah Morrison

Also participating:
Levi Rinehart; Sheila Harris; Josephine Stern; Adam Bryan; Beverly Schoonover; Milan Pickette
CALL TO ORDER
CHAIR COOKE called this meeting of the Finance Committee to order. He explained that the chair of the committee, Anita Halterman, was not available, and she passed the chair for this meeting over to him. He continued that the first order of business was the roll call. He stated that Trustee Halterman was excused, and Trustee Boerner was expected. He added that there was a quorum. He asked for any further announcements. There being none, he moved to the approval of the agenda and asked for a motion.

APPROVAL OF AGENDA
MOTION: A motion to approve the agenda was made by TRUSTEE STURGEON; seconded by TRUSTEE GWALTHNEY-JONES.

After the roll-call vote, the MOTION WAS APPROVED. (Trustee Boyles, yes; Trustee Cooke, yes; Trustee Gwalthney-Jones, yes; Trustee Fisher, no response; Trustee Sturgeon, yes.)

ETHICS DISCLOSURES
CHAIR COOKE stated that the agenda was approved and asked for any ethics disclosures. Hearing none, he stated that the topic on the agenda for this meeting was the issue of inflation-proofing the Trust fund. There is a memo from staff about this topic, and he requested a motion to facilitate discussion.

MOTION: A motion that the Finance Committee recommends that the Board of Trustees approve the transfer of $120,280,300 from the Alaska Mental Health Trust Authority budget reserve account to the Alaska Mental Health Trust Authority principal account managed by the Alaska Permanent Fund Corporation was made by TRUSTEE BOYLES; seconded by TRUSTEE STURGEON.

CHAIR COOKE recognized Mr. Abbott.

MR. ABBOTT stated that the subject of inflation-proofing had been a subject of discussion amongst the trustees for several months, and it was discussed last year, as well. He continued that, for a variety of reasons, it is believed to be appropriate at this time to consider a transfer from Trust reserves to the Trust corpus; or the Mental Health Trust Fund to permanently protect the buying power of the Trust’s corpus. He added that the Trust has taken this step many times in its history, as described in the memo. He explained that it is an act that is specifically identified as a potential use of Trust reserves in the statutes, and identified in the Asset Management Policy Statement as a priority, once the reserves have been determined to meet or exceed the target level that the Asset Management Policy Statement establishes. He noted that this is a timely step, not just because of the financial position, but also because of recent interest in alternate uses of Trust reserves. He added that the trustees are familiar with the Governor’s proposed budget introduced a few months ago that proposed to use $16 million of Trust reserves in the near term, and on the order of $50 million in subsequent years, for a variety of State purposes that has not been included in the Trust’s budget or that the Trust has not authorized. He asked Ms. Howarth to describe the condition of the reserves and the inflation-proofing mechanism.
MS. HOWARTH stated that the proposed action on inflation-proofing is to make a formal designation and transfer budget reserves to the Permanent Fund principal account. She continued that, as noted in a prior memorandum and this memo, the trustees have flexibility in their choice of preserving purchasing power of the Trust. The first is a principal-and-interest model where funds are designated as inflation-proofing and cannot be withdrawn once they have been designated. She added that the other methodology is using the endowment method where spending is monitored on a percent of market value. She explained that it limited that basis, and then the reserve balances are monitored to ensure that there is flexibility to meet near-term needs should the market fall and the percent of market value limits the amount of spending. She highlighted that the purpose of the fund management is to ensure funding and the availability to serve the beneficiaries. It is focused on now and in the future. The now part is the reserves to make sure of that buffer. The future part is that percent of market value, which has been an established basis of 4.25 percent. She explained in greater detail the current needs, the current balances of the reserves, and looked at what would be paid out in terms of the annual revenue for the Trust fund. She looked at inflation-proofing from the principal-and-interest model which applied an inflation factor on an annual basis to the principal balances within the Permanent Fund-managed account. The other method of looking at the inflation-proofing uses the endowment model which uses the percent of the market value and the spending reserves. She explained that the endowment model is a more forward-thinking model that came out in the last 20 years. The principal-and-interest model is what the Legislature is familiar with because that is the model that the Permanent Fund is based on.

CHAIR COOKE thanked Ms. Howarth, and stated that both Trustee Boerner and Trustee Fisher are on the line. He asked for any specific questions about the motion, and then moved to discussion of the motion.

TRUSTEE BOERNER stated that inflation-proofing has been raised over the years, but has not been moved on. She asked for a brief history.

MR. ABBOTT replied that the Trust has contemplated inflation-proofing periodically in January of 2018, and it ultimately was not acted on. He explained that there were not sufficient reserves to make a full inflation-proofing transfer as that is being contemplated now. Then there was another conversation with the trustees about this in May of last year.

CHAIR COOKE stated that this proposed transfer would not wipe out the reserves and would, in fact, bring the reserves back to the level consistent with the established Asset Management Policy. The 400-percent reserve amount would be maintained. He continued that if the reserves were taken and spent in other ways, the income draw in the future would be impacted. By putting it in the Trust fund, it is there forever; and the beneficiaries, in particular, would continue to realize the benefit of the annual draw.

TRUSTEE BOYLES stated her approval of doing the inflation-proofing, and doing it now.

TRUSTEE BOERNER agreed and stated that it was the right time, is something that has been considered for a while, and she stated her support.

TRUSTEE FISHER stated he was in favor of it.
TRUSTEE GWALTHNEY-JONES was absolutely in favor and agreed with what Trustee Boyles stated.

TRUSTEE STURGEON also agreed, and stated that the Mental Health Trust was doing what the State of Alaska should do, spending money within their means, setting up the appropriate reserves and inflation-proofing, which the State has not done. He supported the inflation-proofing.

CHAIR COOKE called the question and called the roll-call vote.

After the roll-call vote, the MOTION WAS APPROVED. (Trustee Boerner, yes; Trustee Boyles, yes; Trustee Fisher, yes; Trustee Gwalthney-Jones, yes; Trustee Sturgeon, yes; Trustee Cooke, yes).

CHAIR COOKE stated that was the only item on the agenda. He recommended having a special meeting at the end of March which allows plenty of time for notice and the gathering of more information that was requested.

MR. ABBOTT stated that it made a lot of sense, and staff was willing to work on it. He added that might be a good time to talk about the state of the discussions with the Legislature on the Trust budget and the budget reserves conversation in the Finance Committee.

CHAIR COOKE agreed and asked for anything further before entertaining a motion to adjourn.

TRUSTEE BOYLES asked if anyone foresees a time when the board could meet in person.

MR. ABBOTT replied that in-person meetings are considered the default option, and we only recommend a different approach when there is a good reason, which has been the case to date. It is possible, depending on the status of the vaccination program and other factors, for an in-person meeting.

CHAIR COOKE asked staff to keep monitoring that situation.

TRUSTEE BOERNER recommended that the board and the Trust consider referring back to the gatekeeping guidelines published by the CDC with regards to in-person meetings. She stated that there is a five-point criteria that is recommended as far an in-person or indoor meetings.

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

After the roll-call vote, the MOTION WAS APPROVED. (Trustee Boerner, yes; Trustee Boyles, yes; Trustee Fisher, yes; Trustee Gwalthney-Jones, yes; Trustee Sturgeon, yes; Trustee Cooke, yes).

CHAIR COOKE adjourned the meeting.

(The Alaska Mental Health Trust Authority Finance Committee was adjourned at 2:22 p.m.)