

**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**

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**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.)