

ALASKA MENTAL HEALTH TRUST AUTHORITY

FINANCE COMMITTEE MEETING

August 11, 2016
11:00 a.m.

Taken at:

3745 Community Park Loop, Suite 120
Anchorage, Alaska

OFFICIAL MINUTES

Trustees present:

Carlton Smith, Chair
Laraine Derr
Larry Norene
Russ Webb
Paula Easley
Mary Jane Michael
Jerome Selby

Trust staff present:

Jeff Jessee
Steve Williams
Miri Smith-Coolidge
Carley Lawrence
Amanda Lofgren
Kevin Buckland
Mike Baldwin
Katie Baldwin
Heidi Wailand
Luke Lind
Carrie Predeger
Valette Keller

TLO staff present:

John Morrison
Wyn Menefee
Sarah Morrison

Others participating:

Kara Nelson; Larry Talley.

PROCEEDINGS

CHAIR SMITH calls the meeting to order and notes that all trustees are present. He asks for any announcements. There being none, he asks for any ethics disclosures.

TRUSTEE WEBB states, that in terms of ethics disclosures, he wants to permanently and for the record make it clear that he is married to a District Court Judge. He continues that is a fact of life and does not affect his work on the Trust other than listening to her for information about how the world works on a daily basis affecting our beneficiaries. He adds that he knows of nothing before the Trust that relates in any way financially to her or me or anything else; but we do regularly deal with issues related to the Court System, and none of those issues affect her or directly impact me.

CHAIR SMITH thanks Trustee Webb and moves to the agenda. He asks for any additions or changes. There being none, he asks for a motion for approval.

TRUSTEE SELBY makes a motion to approve the agenda.

TRUSTEE MICHAEL seconds.

There being no objection, the motion is approved.

CHAIR SMITH moves to the minutes of April 14, 2016.

TRUSTEE DERR makes a motion to approve the Finance Committee minutes of April 14, 2016.

TRUSTEE SELBY seconds.

There being no objection, the motion is approved.

CHAIR SMITH moves on to staff report items and recognizes Kevin Buckland and the cash management report.

MR. BUCKLAND states that the latest cash management report for FY16 reflects 12 months to June 30th. He continues that they are still in the State's reappropriation period where we have July and August prior to year close. He adds that there is still activity to incur, but is mostly accurate and walks through it briefly, explaining as he goes along.

CHAIR SMITH asks for any questions.

MR. BUCKLAND continues going through the report, explaining in detail as he moves through it.

TRUSTEE DERR states that TADA is \$54 million; it started out at \$49 million and ended up at \$54 million. She asks where the other \$30 million is, and if it is the value of the real estate.

MR. BUCKLAND replies that it is the real estate, and is an asset.

CHAIR SMITH asks for any other questions.

TRUSTEE WEBB states that the return at Permanent Fund is down and is curious as to what is going on at Permanent Fund.

MR. BUCKLAND states that some significant losses have been seen, but the June results are not in yet. He explains in more detail.

A short discussion ensues.

MR. BUCKLAND continues his report, explaining as he goes along.

TRUSTEE MICHAEL asks about the lapsed funds for the Medicaid reform and why they are still showing.

MR. BUCKLAND replies that some lapsed funds are still showing because there were funds that were not swept that are still continuing. He states that in the normal course of agencies having authority to expend those appropriations, and when that appropriation terminates and lapses, that balance will then be swept into the lapse. He moves on, stating that the Chair asked for reference to Meketa Investment Group to take a look at asset allocation and we did send out a memo to Fellow Trustees that informed them of that contract. It was spelled out that the contract calls for an allocation of rebalance and reviews both at Permanent Fund Investments and those at Revenue that are in reverse, recommending changes to the inflation-proofing practices, ways to ensure sustainability in our payout, methods to diversify and to order priorities for development of investment in the noncash assets, including natural resource components and commercial real estate, and a review of the Resource Management strategy for the current priorities and noncash assets. He continues, that was sent out to about a half-dozen firms that have at least a presence in the Pacific Northwest, expecting that they would be sensitive to the issues that Alaska's unique environment places on the Trust and the situations that are unique to Alaska and other Western states. He states that a proposal was responsive from Meketa Investment Group. Meketa has been in the business of providing investment consultant services to institutional clients for over 37 years. The firm originated by providing an investment strategy and systems advice to the Harvard Management Company or Harvard University Endowment. He continues that the firm was hired by its first client in 1978, which is a relationship that continues to this day. Since 1978, Meketa Investment Group has grown steadily and consults on over \$390 billion in assets for over 130 clients, with aggregate institutional assets of approximately \$830 billion. He adds that the firm has offices in Boston, Miami, Chicago, Portland, San Diego, and London; it has a staff of 129, including 29 investment professionals, 21 CFA charter holders, and 14 CAIA charter holders.

CHAIR SMITH asks to share what those designations stand for.

MR. BUCKLAND replies that: CFA is chartered financial analyst; and CAIA is a chartered alternative investment analyst. He states that Meketa will be providing a fund assessment and policy review which will include becoming intimately familiar with the statutory, regulatory, and governing policy documents and examination and assessment of the existing investment policy

statement, which is AMPS, asset allocation policy and structure for the Trust's various investment pools; both individually, as well as in the aggregate. A review of spending policies, including budget reserve sufficiency and program sustainability, review of performance risk and liquidity, rebalancing and inflation-proofing recommendations. He continues that the nonliquid investments will also be reviewed, and they will give recommendations for alternative strategies for future consideration. He states that the identification and clarification of client objectives would include explicit statement of the purpose of the assets, definition of the appropriate time horizon of the assets, identification of the degree of liquidity necessary and the funding patterns of the pool. Also, review of any legal or special circumstances that affect the investments and assets. He states that since asset allocation is the primary determinant of the investment pool's risk and return characteristics, the firm will examine investment policy. Investment policy review includes extensive evaluation of risk and return and attributes for various asset allocations, identification of target asset allocation that best achieves the Mental Health Trust Authority's objectives given their constraints, identification of appropriate ranges around which the long-term asset allocation may fluctuate, and description of the procedures for monitoring and adjusting the asset allocations over time. He continues that the result of this process is an investment policy statement that describes the funds' return expectations, the types of investment risks that can be assumed, and the rules used to measure those returns and risks. He adds that the document would include the firm's recommendations for a long-term asset mix for the fund. The firm will deliver an assessment of long-term performance, risk and liquidity, budget reserves and programmatic sustainability. The review will include the inflation-proofing recommendations that were stated, asset allocation options and recommendations, and rebalancing to reach those asset allocation targets. He adds that the Portland office will be taking the lead. Mika Malone is its managing principal and consultant, and she has a CAIA designation.

CHAIR SMITH states that in discussion with Meketa they were told that the Trust really wants to get maximum value out of this project and were asked to look at this more strategically for the Trust at this point in time. He continues that they have been asked to put together an executive summary which will come first in a draft report, then a final report, and then an in-person presentation which will be in October. He asks for any other comments. There being none, he moves to the operating budget for the Trust Land Office.

TRUSTEE DERR makes a motion to recommend the Full Board of Trustees approve the Trust Land Office operating budget for FY18 in the amount of \$4,473,600.

TRUSTEE SELBY seconds.

There being no objection, the motion is approved.

CHAIR SMITH states that the next item is the Trust Authority Mental Health administrative budget.

TRUSTEE SELBY makes a motion that the Finance Committee recommend the Full Board of Trustees approve the Trust operating budget for FY18 in the amount of \$3,899,200.

TRUSTEE MICHAEL seconds.

There being no objection, the motion is approved.

CHAIR SMITH moves on to unallocated partnership funds.

MR. WILLIAMS states that the program director, Kara Nelson, from Haven House, and their board secretary, Larry Talley, are on-line.

MR. WILLIAMS states that before the Finance Committee is a partnership grant request from Haven House, located in Juneau. Haven House is a transitional housing provider for women coming out of Corrections. They have the capacity of housing up to eight women at any given time; currently there are five residents. He continues that they are looking for funds to help transition into the long-term, sustainable funding plan, which is outlined in the proposal. He adds that the housing provided is not simply housing, but also has programming and structured living. They use a peer support model, and the women that are housed are expected to be clean and sober.

MS. NELSON adds that it is definitely more than a homeless recovery residence and there is a community of recovery within the house that then saturates within the community. She states that a lot of women that come in are not residents, and it is cultivating that continuum of care of recovery support services for a safe environment.

MR. TALLEY adds that Ms. Nelson also goes into the prison, the Lemon Creek Institution and the institution in Ketchikan and Hiland Mountain. He states that just the fact that this program is in existence gives a ray of hope to be a significant thing for people who may actually choose to do something else. He continues that the prisons have been gracious, and the partnership is working.

TRUSTEE DERR states that she has a disclosure. She is on the Food Bank Board in Juneau, and Haven House is an agency member of that. She continues that she is also on the Juneau Community Foundation that has provided money to Haven House.

CHAIR SMITH asks for any further comments.

MR. WILLIAMS points out that this is not just Trust funding; the community is invested in Haven House, as well.

CHAIR SMITH states that this project was a longtime coming and none of it was easy. He asks Ms. Nelson if it is going easier now.

MS. NELSON replies that after a year and a half there have been some incredible challenges and it was necessary to elevate the needs for reentry services and recovery services for those experiencing those challenges to be able to have a solution.

TRUSTEE DERR makes a motion to approve a \$50,000 FY17 partnership grant to Haven House, Inc. for the Haven House transitional funding project.

TRUSTEE SELBY seconds.

There being no objection, the motion is approved.

CHAIR SMITH asks for anything further.

MR. JESSEE states that there was a discussion yesterday about how to reframe the budget in light of priorities. He hands out a copy and asks for an immediate feedback. He explains that it is the same basic framework of the nonfocus area allocations, the operating budgets, and the nonfocus areas. Then there is a larger category of Alaska Systems Reform where there is Medicaid and Criminal Justice Reform and Redesign and Reinvestment. Then the focus areas and the advisory board requests. He asks if that was what was requested.

TRUSTEE MICHAEL states that it looks great.

TRUSTEE WEBB thanks Mr. Buckland for the hours of work.

CHAIR SMITH asks for further business.

TRUSTEE DERR makes a motion to adjourn the meeting.

There being no objection, the meeting is adjourned.

(Finance Committee adjourned at 11:50 a.m.)