

MEMO

To: Board of Trustees
From: Greg Jones, Interim CEO
Date: May 4, 2016
Re: Governance

While there is no universally accepted definition of organizational governance, the term refers broadly to the processes, structures, and organizational traditions that determine how power is exercised, how stakeholders have their say, how decisions are made and how decision-makers are held to account. Good governance is essential to an organization's ability to set and systematically implement strategies that achieve its mission. For public organizations with broad constituencies, good governance is key to stakeholder confidence and effective leadership and partnering.

The Trust just marked its 21st year and, with this milestone, a series of events revealed that the organization had outgrown its current board governance model. Beyond the statutes that created the Trust and the regulations that seek to implement those laws, the only document available to trustees for guidance on how to operate meetings and establish roles and responsibilities is a short set of bylaws that have only been minimally changed since the inception of the Trust. Even still, portions of the current bylaws were written to support trustees in operating the Trust before there was a robust staff. Beyond the statutes, regulations, and bylaws, there is little in the way of governance.

This situation worked well for many years at the Trust, but recent strains on the organization made it clear the basic board governance infrastructure that existed was not suitable for current and future needs. The need for a robust governance foundation and the pitfalls that can ensue as a result of not having such a foundation are well documented and can be all too common.

Over the last several years, the Trust has been the subject of growing pressure, both from within and from external factors. These pressures and the dynamics they created were somewhat unexpected by trustees and executive management and a number of variables set the stage for a period of unanticipated challenges and opportunities. Some examples of these dynamics include:

- State fiscal environment/state recession
- Conflicts within the board and between the board and executives
- Trust Land Office's new income generating goals/real estate investment
- Use of trust principal
- Tension between the Trust Land Office and Trust Authority Office

- Staff engagement and extensive funding of Medicaid expansion and reform efforts
- Increased focus on comprehensive integrated mental health program plan
- Amplified stakeholder and media scrutiny
- Significant staff turnover at Trust Authority Office and Trust Land Office

Many of these challenges and opportunities could have been more effectively managed if there were appropriate governance guidelines to follow.

Below are several critical questions that will need to be answered. To assist in answering these questions and completing the governance documents, a series of facilitated meetings with trustees and others will be held over the summer. At the end of the process, the Trust will have a new, complete set of governance policies to support its efforts to evolve into the highest performing organization possible for the maximum impact for our beneficiaries. The attached governance document provides a draft framework for discussion and board decision-making in this effort.

Key questions:

1. How does the Trust Land Office fit within the Trust's governance structure?
2. What changes can be made to trustee and staff roles to optimize the Trust's governance?
3. Does the board have the right committee structure?
4. How can the Trust strengthen its relationships with its statutory advisors?

Suggested motion:

Move to direct the CEO to schedule facilitated special meetings of the board of trustees over the next several months to address the key questions and governance documents.

Proposed Governance Development Process

Responsible Party	Process Step	Timeline
Agree on Approach		
CEO	Make recommendation on how to proceed	April 20
	Develop governance document framework	April 21 – May 3
	Document key questions and options	
	Design proposed process	
Trustees 	Discuss why governance is important and agree on process	May 4
Answer Key Questions		
Trustees 	Facilitated meeting to deliberate on key questions	
CEO	Incorporate key decisions and deliver first full draft of governance document to trustees	
Review Charters and Policies		
Trustees	Review and provide feedback on charters and policies	
CEO	Consolidate feedback from trustees	
Trustees 	Facilitated meeting to review and provide direction; invite advisory boards to participate	
CEO	Incorporate feedback and send revised version to trustees for final review	
Trustees	Review and provide any final input	
Flex Time if Needed		
Trustees 	Allot time for discussion if needed at August meetings	August 1-3
Adopt New Governance Document		
CEO	Develop and distribute final draft for board approval	
Trustees 	Vote to adopt the new governance document	September 6-7
Update Trust By-Laws and Operating Procedures		
CEO	Make needed changes to bylaws and operating procedures and submit bylaws to trustees for review	
Trustees	Adopt new bylaws	

 Indicates additional meetings  Indicates existing board meetings

Board of Trustees Charters and Governance Policies

Alaska Mental Health Trust Authority

DRAFT

Trust

Alaska Mental Health
Trust Authority

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CHARTER OF THE BOARD OF TRUSTEES

Introduction

1. The State of Alaska has established the Alaska Mental Health Trust Authority to ensure an integrated comprehensive mental health program and administer the trust established under the Alaska Mental Health Enabling Act of 1956. [AS 47.30.011]
2. The Board of Trustees consists of seven members appointed by the governor and confirmed by the legislature. The members are appointed based on their ability in financial management and investment, land management, or in services for the beneficiaries of the trust. The governor will consider a list of persons prepared by a panel as outlined in AS 47.30.016.

Role

3. The role of the board of trustees is to advance the mission of the Alaska Mental Health Trust Authority Office and Trust Land Office (AMHTA):

Alaska Mental Health Trust Authority 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, planning, implementing and funding of the comprehensive integrated mental health program; and acts as a catalyst for change.

Duties and Responsibilities

GOVERNANCE

4. The Board of Trustees will establish a committee structure that it considers necessary and appropriate to effectively govern the AMHTA.
5. The Board will establish charters setting out the duties and responsibilities of:
 - (a) Board of Trustees;
 - (b) Chair and Vice Chair;
 - (c) Finance Committee;
 - (d) Resource Management Committee;

- (e) Planning Committee; and
 - (f) Chief Executive Officer
6. The Board will establish governance policies as necessary, including bylaws and other Board standards, to ensure effective operation of the affairs of the Board.

BENEFICIARY IMPACT

7. Language to be developed.

ASSET MANAGEMENT

8. The Board shall contract with the Alaska Permanent Fund Corporation (APFC) for management of the mental health trust fund. [AS 37.14.009] The Board will endeavor to meet with leadership of the Permanent Fund Corporation on an annual basis to get a report on APFC results, forecasts and potential issues that could affect returns in the future.
9. The Board will adhere to a statement of asset management policies and guidelines, including the Board's overall asset management philosophy, as well as other related policies as necessary for the effective management and investment of the assets of the Trust.
10. The Board will establish a framework or process for the management of the investment risk with respect to the real estate assets of the Trust.
11. The Board will approve the long term or strategic asset allocation of the Trust in terms of the proportion of total assets to be invested on average over time in the various asset classes or risk categories, as well as the minimum-maximum range within which the assets can be allocated at any point in time.
12. The Board shall contract with the Department of Natural Resources, Trust Land Office (TLO) for the management of the Trust's approximately 1,000,000 acres of endowment land and management of its investment real estate portfolio. (AS 37.14.009) The Memorandum of Understanding with DNR will require AMHTA to fund all operations of the TLO and allow AMHTA to supervise TLO operations. AMHTA, through its Board committee and executive management structure, will actively oversee TLO operations.
13. The Board of Trustees will assure that the TLO establishes strategic plans for stewardship and maximizing revenue from its land, and establishing criteria and goals for investments in income producing real estate.

FINANCE AND AUDIT

14. The Board will ensure that appropriate financial and operational controls and procedures are in place to safeguard assets.
15. The Board will ensure that audits of these controls and procedures are conducted from time to time by an independent external auditor in order to ensure that the assets are properly accounted for, and that the investments are in accordance with applicable laws and regulations.
16. The Board will ensure that annual financial statements of AMHTA are prepared and that these statements are audited by an independent external auditor. It will approve the annual financial statements.

OPERATIONS AND HUMAN RESOURCES

17. The Board will appoint a Chief Executive Officer [AS 47.30.026] and review and evaluate the performance on an annual basis.
18. The Board, working with the CEO, will develop a strategic plan for the AMHTA.
19. The Board will approve an annual operating budget for the AMHTA.
20. The Board will establish human resources policies and procedures necessary for the effective management of the AMHTA, including a compensation policy and a succession plan for the CEO.

COMMUNICATIONS

21. The Board will establish a communications policy which sets out guidelines with respect to how the Board and individual trustees should communicate with:
 - (a) The staff of the AMHTA;
 - (b) Beneficiaries and beneficiary organizations;
 - (c) Statutory advisory boards and departments;
 - (d) Service providers;
 - (e) Prospective Partners/Buyers/Sellers;
 - (f) Media; and
 - (g) Other external parties.

MONITORING AND REPORTING

22. The Board will establish a monitoring and reporting policy from management which sets out its requirements regarding reports the Board will receive on a regular basis in order to meet its responsibility for the oversight of the AMHTA.
23. The Board will review on a regular basis the policy, procedures and compliance of the Board, its committees, the Chair and Vice Chair of the Board, with the duties and responsibilities set out in their respective charters.
24. The Board will assure that the activities of both the TLO and the Trust Authority Office are coordinated and mindful of protecting the brand of AMHTA.
25. The Board will annually submit to the governor and the Legislative Budget and Audit Committee by September 15 a budget for the next fiscal year. The budget must include the amount recommended from the general fund and expenditures the AMHTA intends to make to meet the operating and capital expenses of the integrated comprehensive mental health program. [AS 47.30.046]
26. The Board will review the strategic plan annually and update it periodically.

Review and Amendment of the Charter

27. The Board of Trustees will review this Charter at least once every three (3) years and recommend any amendments to the Board for approval as necessary to ensure that the Charter remains relevant and appropriate.
28. The Board of Trustees adopted this Charter on _____.