
Investment Committee Minutes

Thursday, September 25, 2014 3:00 PM
City Hall

Goal: To make recommendations for and oversee the Investment Policy of the City and Borough of Sitka enacted as Chapter 4.28.

Investment Committee Members: Bert Stedman, Jere Christner
Mike Reif (Assembly Liaison) and Pete Esquiro (Alternate Assembly Liaison)

Meeting began at 3:10 PM.

Present: Bert Stedman, Jere Christner
Secretary: Melissa Henshaw, Assistant Clerk
Staff: Mark Gorman (Municipal Administrator), Jay Sweeney (CFAO)
Assembly Liaison: Mike Reif, Pete Esquiro
Members of the Public: Laura Bruce, Jeff Pantages

I. Discussion of endowment/permanent fund investment strategies, Alaska Permanent Capital

Jay Sweeney introduced Alaska Permanent Capital Management and outlined the agenda for the meeting.

Ms. Bruce started the presentation by stating three items for discussion, first the payout amount, secondly to reduce cost and third to put more money in. She talked that the investment portfolio is managed by their firm not by brokers and stated that there are no commissions or kickbacks. She told of the history of the company and that they manage 3.5 billion in funds for several entities including the City of Fairbanks permanent fund.

CFO Mr. Pantages stated that the fund can grow in three ways and that they would focus on distributions firstly stating that Sitka has the same situation for about 15 years with distributions at 6% currently and suggested possibly lowering that amount going forward. He stated that bonds only yield 2% as opposed to 6 or 7% before. He also added inflation proofing options. He went over some of his statistical information on 5 different portfolios with a 7 year outlook based on the index with 11 asset classes used. Inflation was not included but that it is expected to be 2.5%.

Jay Sweeney told that he rebalanced recently and we are currently at 55% mutual funds and 45% bonds.

Ms. Bruce told of their software that gives a view to a wide-range of what if scenarios. She talked about treasury bonds as a bit of insurance and that they are expensive

with low returns; index funds with regards to historically strong returns and their consistent and transparency; their investment philosophy; initial asset allocation process and that it is a collaborative process to drive returns going forward; the right mix by developing the right portfolio; keeping fees and expenses low; their annual review; reports that are given every month and quarter; the annual audit done by an outside source; and their costs.

Mr. Stedman offered the idea of a 10 year ladder.

Mr. Sweeney stated that there is 3.5 million in corporate bonds as of June 30. He also informed the committee that prior to him being with the City, the City used one broker. Mr. Sweeney stated that he now uses two to make it a little more competitive however, there is still more of a cost than having a firm like this take it over.

Mr. Gorman asked if the portfolio could move over transparently to which Alaska Permanent Capital stated that they could. That they work with First National Bank of Alaska and there is the possibility of using Charles Schwab.

Mr. Sweeney recommended that the City move to have someone manage this fund as they can earn a superior return since he ends up paying retail price.

Mr. Gorman thought that this is a huge burden to place on one employee.

Alaska Permanent Capital left the meeting.

II. Discussion of institutional investment services, Alaska Permanent Capital

Mr. Stedman sated with staff risk he thinks going outside we should ask for proposals. Work on the payout rate issue as an impact of future results.

Mr. Gorman mentioned that the Assembly is looking forward to feedback on the Perm Fund.

Mr. Reif has concerns of the payout. He thinks an outside source is a good idea.

Mr. Esquiro mentioned that this company has better tools. Like the straightforwardness of their presentation.

Gorman brought up that to reduce the take out amount it needs to be done as a ballot measure next year.

Sweeney thought that the amount should be a flexible amount that somehow moves in coordination with the yield portfolio and link them with regards to movement market value on rate of return.

Christner stated that and RFP solicitation would be needed with Gorman suggesting a selected company for solicitation out three.

Sweeney stated that Sitka is the largest municipality in Alaska still managing their own investments all others have gone to external management.

Discussion took place of scheduling the next meeting. Mr. Christner mentioned that he is out of town with the exception of the week of October 13th and on October 20th.

III. Adjourn

The meeting ended at approximately 5:12 PM.

Attest:
Melissa Henshaw, Assistant Clerk
Secretary