
Investment Committee Minutes

Tuesday, December 8, 2015 2:00 PM
3rd Floor Conference Room of 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: Michael Reif, Bert Stedman, Jere Christner
Mim McConnell (Assembly Liaison)

Meeting began at approximately 2:00 PM.

I. Roll Call

Present: Michael Reif, Bert Stedman, Jere Christner
Staff: Municipal Administrator Mark Gorman, CFAO Jay Sweeney, Deputy Clerk Melissa Henshaw
Assembly Liaison: Mayor McConnell

II. Approval of the minutes from October 30, 2015

M – Christner/S – Stedman moved to approve the minutes from October 30, 2015. Motion carried unanimously.

III. Person's to be Heard

None.

IV. Portfolio Performance Review of Permanent Fund by APCM

Senior Vice President Laura Bruce and Portfolio Manager Brandy Niclai with Alaska Permanent Capital Management (APCM) began with company history. They told of the prudent investment management process; went over the CBS account summary as of October 31, 2015 stating that the Putnam funds had not been fully rolled over; told of transition summary which included detail of benefits to allow exchange traded funds (ETF's); bonds; bond holdings; S&P 1500; risk; and return. They showed historical market value specifically overall asset growth over time; asset allocation; historical measure from 1997; and an example of account performance. They went over what recently happened in the broader financial market.

There was consensus with the Committee to go through the market review portion quickly to allow for time to discuss the next agenda item.

Niclai spoke of equities from market low, illustrated US Treasury yield curve and provided long term outlook and positioning. Bruce mentioned other Alaskan governments and their Permanent Fund investing.

V. Continued Discussion of Inflation Proofing and Timeline/Wording of Permanent Fund Charter Change Ballot Proposition

Sweeney informed APCM of the October 30 meeting discussion with regards to the broad theory on inflation proofing the Permanent Fund, the floor/ceiling, and growing the fund. Niclai

reminded the Committee to go through the process of prioritizing: asset preservation, budget stability, or intergenerational equity and told to structure around that. Bruce showed a diagram of what other Alaskan governments do. Discussion occurred around prioritizing, language, percentage of takeout, history, budget, adjustments, timing, and delivery to the public.

General consensus from the Committee was that Sweeney and Reif would work with APCM on the concept that had been discussed earlier. Stedman asked that APCM look at bond rates over a long period of time when it came to modeling. Christner thought to have data on two different scenarios of takeout rates. Reif thought to stress test the model back 100 years.

Discussion on a starting point for rate occurred, the decision of the Assembly, ballot language, timeline, history, and creating a recommendation. There was consensus on budget stability as a priority.

Gorman asked APCM to go over the tasks. Niclai stated that she will: 1) draft proposed language that has already been considered to model and test the viability on both with under normal bond market returns, under a historical perspective over the past 10 years and based on APCM's projections; also consider alternative spending policies that may make some improvement to the proposed language. 2) Regardless of whether or not there is something to go on the ballot in regards to changing the 6% that is mandated by charter, the Committee would like to hear any optimal allocations by changing asset classes or the overall stock bond in the spring time. Bruce suggested the Committee look at the rest of the investment review.

Discussion occurred on capital infusions or sales of bulk water with regards to the Permanent Fund.

VI. Adjourn

Committee agreed for late March or early April for the next meeting. Seeing no objection the meeting adjourned at 3:55 PM.

Attest:
Melissa Henshaw, Deputy Clerk