



# MUNICIPALITY OF ANCHORAGE

## ASSEMBLY INFORMATION MEMORANDUM

No. AIM 246 -2022

Meeting Date: December 20, 2022

1 **FROM:** Mayor Bronson  
2  
3 **SUBJECT:** Investment Advisory Commission Resolution expressing support of Charter  
4 Change Ballot Ordinance re: Governance Structure change to MOA Trust  
5 Fund  
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7 Attached to this Assembly Information Memorandum is a Resolution generated by the  
8 Investment Advisory Commission (IAC) which was unanimously approved at their  
9 December 6, 2022 regular meeting. The IAC worked closely with the MOA Trust Fund's  
10 independent investment consultant (RVK, Inc.) and the Finance Department to provide  
11 the basis for their Resolution. The AIM is intended to express support of, and accompany,  
12 the Administration's proposed MOA Trust Fund Charter Change Ballot Ordinance revising  
13 the current governance model with the Municipal Treasurer as the sole named fiduciary  
14 of the MOA Trust Fund to a new governance model led by a prospective Board of  
15 Trustees.  
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17 Prepared by: Daniel Moore, Municipal Treasurer  
18 Concurrence: Grant Yutrzenka, Acting CFO  
19 Concurrence: Amy Demboski, Municipal Manager  
20 Respectfully submitted: Dave Bronson, Mayor

**Municipality  
Of  
Anchorage**



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*Dave Bronson, Mayor*

**MOA TRUST FUND GOVERNANCE STRUCTURE CHANGE**

**INVESTMENT ADVISORY COMMISSION**

**Resolution 2022-2**

WHEREAS, the MOA Trust Fund (“Trust”) was established in May 1999, in accordance with Anchorage Municipal Charter § 13.11 as a perpetual endowment fund for promoting growth of the corpus, and as a source of regular annual dividends to help fund the cost of municipal government; and

WHEREAS, pursuant to Anchorage Municipal Charter § 13.11(c) and Anchorage Municipal Code sections 6.50.060 and 6.70.010, the Municipal Treasurer (“Treasurer”), under the direction and supervision of the Chief Fiscal Officer and in consultation with the Investment Advisory Commission and the independent investment consultant RVK, Inc., is charged with management of the Trust and serves as the “sole named fiduciary” of the Trust; and

WHEREAS, the Investment Advisory Commission (“IAC” or “Commission”), established under AMC 4.50.090, is comprised of nine members qualified by experience in the fields of finance, economics or investments who are charged to act in a “nonfiduciary advisory capacity” to the Administration and the Assembly on matters related to the investment of municipal funds, including the Trust; and

WHEREAS, the Trust was initially funded in 1999 with a deposit of \$101.7 million in net proceeds from the sale of ATU, it has since grown through additional deposits of \$20 million from the Police & Fire Retirement Settlement in 2000, \$5.9 million from four smaller Assembly approved sources between 2000 and 2014, and \$229.8 million in net proceeds from the sale of ML&P in 2020 and 2021, increasing total Trust deposits to \$357.4 million as of December 31, 2021; and

WHEREAS, since inception, the Trust generated investment earnings of \$262.2 million, \$171.7 million of which was distributed to the MOA as cash dividends and \$90.5 million was retained by the Trust for inflation proofing purposes, further increasing the market value of Trust assets to \$447.9 million as of December 31, 2021; and

WHEREAS, since inception, the level of professional resources necessary to appropriately manage Trust assets has grown proportionately to the growth in Trust assets resulting in significant increased demands on the time and attention of the Municipal Treasurer, the Trust’s sole named fiduciary; while the Treasurer’s other duties and responsibilities have also grown; and

WHEREAS, the sole fiduciary structure concentrates all Trust governance and management authority and decision making with a single executive level municipal employee whose status could change with little or no notice, exposing the Trust to an extraordinary high level of governance and management risk; and

WHEREAS, best practices indicate that long-term successful management of the Trust and achievement of Trust objectives is largely the result of a sound long-term investment strategy combined with a stable governance and management structure that match the Trust's perpetual life; and

WHEREAS, with support from the IAC, the administration engaged RVK, Inc. to conduct a review of the current Trust governance and management structure and to recommend changes to address any potential shortcomings; and

WHEREAS, RVK, Inc. is a national investment consulting firm with headquarters in Portland, OR and regional offices in Boise, ID; Chicago, IL; and New York, NY, providing unbiased general investing consulting services to approximately 200 institutional clients including corporations, public retirement systems, Taft-Hartley funds, nonprofit organizations, non-pension operating funds, and high-net-worth individuals and families. RVK is committed to an independent business model and to its express no conflicts of interest policy; and

WHEREAS, the RVK review concludes that the sole fiduciary model is rarely used in management of funds created for the benefit of specific beneficiaries, the furtherance of specific long-term goals, or goals that are perpetual in nature, and that this structure of governance and management is unlikely to produce the level of governance and management stability necessary to achieve the objectives of the Trust in the long-term; and

WHEREAS, the RVK review concludes that a board of trustees, with each Trustee bearing fiduciary obligation ("Fiduciary Board") with authority/responsibility for governance and management is the most commonly used governance structure for public fund management in the US, and indeed globally; and

WHEREAS, the RVK review recommends that the MOA convert from the current sole fiduciary structure to a Fiduciary Board structure for governance and management of the Trust; and

WHEREAS, any fundamental change to the Trust's governance and management structure necessitates a full, deliberative review involving the Municipal Treasurer, CFO, IAC and Investment Consultant.

NOW, THEREFORE, BE IT RESOLVED that after formal review of the governance and management issues regarding the Trust in consultation with the Municipal Treasurer and Investment Consultant, RVK, during regular and special meetings conducted in September, October and December 2022, the IAC finds that:

1. The current sole fiduciary structure utilized by the MOA for governance and management of the Trust is inconsistent with best practices for public fund management and a potential impediment (source of risk) to the long-term success of the Trust.
2. RVK, Inc. is uniquely qualified to conduct an independent review of the current Trust governance and management structure, present and discuss alternatives, and recommend a structure most likely to support accomplishment of the long-term objectives of the MOA Trust.



3. Given the growth in the market value of Trust assets, the increased complexity of potentially attractive and appropriate Trust investments, increased demands on time and attention of the Trust's sole fiduciary and the significance of the Trust to MOA taxpayers, the MOA should transition to a Fiduciary Board for governance and management of the MOA Trust as recommended in the RVK review dated October 18, 2022.
4. The Trust should be managed according to the Prudent Investor Rule, which stipulates that a fiduciary is to act in the best interest of the trust's beneficiaries and make investment decisions that a person of reasonable intelligence, discretion, and prudence could be expected to make.
5. Adoption of the Administration's proposed ballot ordinance to change Municipal Charter such that the Trust's current sole fiduciary governance structure is replaced by a fiduciary board governance structure is recommended.

DATED this 6<sup>th</sup> day of December 2022.



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Jeffrey Sinz, Chair  
Investment Advisory Commission