



# MUNICIPALITY OF ANCHORAGE

## ASSEMBLY INFORMATION MEMORANDUM

No. AIM 247-2022

Meeting Date: December 20, 2022

1 **FROM:** Mayor Bronson

2  
3 **SUBJECT:** Independent Investment Consultant report in support of Charter Change  
4 Ballot Ordinance re: Governance Structure change to MOA Trust Fund  
5

6 Attached to this Assembly Information Memorandum is a formal report issued October  
7 18, 2022 by the MOA Trust Fund's independent investment consultant (RVK, Inc.) which  
8 provides the background, rationale and prospective recommendations associated with  
9 changing the MOA Trust governance structure from the current governance model with  
10 the Municipal Treasurer as the sole named fiduciary of the MOA Trust Fund to a new  
11 governance model led by a prospective Board of Trustees.  
12

13 The RVK report provides the foundation used by the Finance Department and Investment  
14 Advisory Commission in reaching a collective conclusion that a change to a Board of  
15 Trustees governance model for the MOA Trust Fund is a prudent action for the long-term  
16 viability of the Trust. This AIM is intended to support and accompany the Administration's  
17 proposed MOA Trust Fund Charter Change Ballot Ordinance revising the MOA Trust  
18 Governance Structure. RVK is prepared to present key portions of its formal report to the  
19 Assembly at a January 2023 worksession if requested.  
20

21 Prepared by: Daniel Moore, Municipal Treasurer

22 Concurrence: Grant Yutzenka, Acting CFO

23 Concurrence: Amy Demboski, Municipal Manager

24 Respectfully submitted: Dave Bronson, Mayor

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October 18, 2022

# Municipality of Anchorage

Governance and Investment Program

Structure Review Report by

*RVK Investment Program Review Team*



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## **RVK Investment Program Review (IPR) Team**

Jim Voytko, President, Senior Consultant, Co-Lead IPR, Principal  
Spencer Hunter, Senior Consultant, Principal  
Cole Bixenman, Consultant, Principal  
Samia Khan, Consultant  
Eric Painting, Associate Consultant  
Jessica Goodall, Senior Executive Assistant

## Foreword

The RVK Investment Program Review Team would like to thank individuals from the following organizations related to the Municipality of Anchorage.

- Members of the Municipality of Anchorage Trust Investment Advisory Commission (“IAC”)
- Staff of the Treasury Division at the Municipality of Anchorage
- Staff of the Public Finance and Investment Division at the Municipality of Anchorage
- Staff of the Police & Fire Retirement System at the Municipality of Anchorage
- Former Chief Fiscal Officer for the Municipality of Anchorage
- Municipal Attorney at the Municipality of Anchorage

The information and perspectives in this report are deemed to be accurate but not all could be independently verified. Please also note that nothing in this report should be considered legal advice. All legal issues that touch upon the subjects discussed in this report should be confirmed by appropriate counsel.

## I. Our Mandate

The Municipality of Anchorage retained RVK, Inc.<sup>1</sup>, to provide a comprehensive review of potential governance structures the Municipality of Anchorage (“Municipality” or “MOA”) might adopt to facilitate stable and successful management of the Municipality of Anchorage Trust Fund (“Trust” or “Fund”). Our mandate includes the staffing needs for managing and operating the Fund. In this report, RVK offers perspectives on institutional fund governance and investment program structures, particularly as relevant to the Trust and its purpose. The RVK Investment Program Review (“IPR”) Team drew significantly from our firm’s decades of experience advising and supporting more than 200 institutional investors, including many public funds.

This report reflects our mandate and is divided into five major sections:

- **RVK IPR Project Team and Methods Employed** – The RVK professionals who conducted this research and the methods employed.
- **Current Structure of MOA and Concerns Over the Sole Fiduciary Model** – Details of the establishment, growth of assets, management, and governance of the Trust, including concerns over the sole fiduciary model that the RVK Project Team encountered during the execution of the project.
- **RVK Perspectives** – Details of our experience and research regarding governance and organizational structure in an investment organization as well as any changes the Municipality may consider to the Trust’s governance structure, authorities, responsibilities, and general operation in the years ahead. This section is intended to provide context and considerations for the Municipality’s deliberations.
- **Recommendations for Implementing Effective Long-Term Governance and Management of the Trust Assets** – RVK IPR Team’s recommendations of sound practices for governance of the Trust.
- **Issues for Future Consideration** – Discussion of issues for the Municipality’s future consideration.

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<sup>1</sup> One of the largest fully independent and employee-owned investment consulting firms in the US, RVK, Inc. or RVK (formerly R.V. Kuhns & Associates, Inc.) provides world-class investment advice to institutional investors, as reported by *Pensions & Investments Special Report – Consultants*. RVK consults to defined benefit and defined contribution pension plans, endowments and foundations, insurance companies, and other special purpose funds.

## II. RVK IPR Project Team and Methods Employed

### Our Project Team

This project was led by RVK's Investment Program Review ("IPR") Team and supported by the general consulting team at RVK that advises the Municipality's investment program on an ongoing basis. RVK has been the general investment consultant for the Trust since 2016. The RVK IPR practice specializes in addressing the challenges institutional investors face in structuring and implementing their investment programs from governance and board operations to comprehensive organizational designs and investment execution. Project Team members are listed below, and their bios are included in the Appendix.

- **Jim Voytko** – President, Director of Research, Senior Consultant, Principal
- **Spencer Hunter** – Senior Consultant, Principal
- **Cole Bixenman** – Consultant, Principal
- **Samia Khan, CFA** – Consultant
- **Eric Painting** – Associate Consultant
- **Jessica Goodall** – Senior Executive Assistant

### Stakeholder Interviews

The RVK IPR Team conducted stakeholder interviews during the months of July and August 2022. The individuals were selected by RVK at the recommendation of the Office of the CFO and Treasurer. We conducted one-on-one interviews with key individuals to gain a robust understanding of how each individual thinks about the collective decision-making required to discharge the duties and responsibilities of the Municipality. Nine (9) stakeholder interviews were conducted with individuals from the following organizations:

- Three (3) Members of the Municipality of Anchorage Trust Current Investment Advisory Commission (IAC)
- Two (2) Staff Members of the Treasury Division at the Municipality of Anchorage
- One (1) Staff Member of the Public Finance and Investment Division at the Municipality of Anchorage
- One (1) Staff Member of the Police & Fire Retirement System at the Municipality of Anchorage
- One (1) Former Chief Fiscal Officer for the Municipality of Anchorage
- One (1) Municipal Attorney for the Municipality of Anchorage

The RVK Team conducted the interviews to go beyond the data that is publicly available and either clarify or, in many cases, discover how historical developments affected the development of the Trust and its governance and explore the ways in which actual implementation of the Trust's investment program might relate to the information available in public documents. The interviews were tremendously insightful and helpful for our understanding of the structures in place.

Discussions with the representatives focused particularly on the current structure and their thoughts on alternative structures and included, but were not limited to, the following topics:

- Organizational structure and placement within the government
- Investment decision-making structure and hierarchy
- Delegation of responsibilities
- Involvement of elected officials in the governance of the Trust
- Benefits and shortfalls of alternative governance structures
- Investment office staffing
- Oversight and reporting requirements

Throughout the course of the project, RVK reviewed an extensive set of documents and online resources relevant to the current structure of the Trust—its mission, governance, operating protocols, reporting requirements, as well as limitations and restrictions. Documents and sources included:

- Anchorage Municipal Charter
- Anchorage Charter & Code of Ordinances
- Municipality of Anchorage Trust Fund – Investment Policy Statement, September 2020
- Anchorage Police and Fire Retirement System – Statement of Investment Policy, February 2019
- Municipality of Anchorage Retiree Medical Funding Program Trust for Police Officers and Firefighters – Trust Agreement, November 1995
- Municipality of Anchorage Municipal Pre-Funding Investment Program – Statement of Investment Policy, February 2020
- Municipality of Anchorage Voluntary Retirement Plans – Investment Policy Statement and Guidelines, November 2020

# III. Current Structure of the Municipality of Anchorage and Concerns Over the Sole Fiduciary Model

## Establishment of the Trust

The Trust was established in May 1999. It was created in accordance with Anchorage Municipal Charter § 13.11, with net proceeds of \$101.7 million generated from the sale of the Anchorage Telephone Utility (“ATU”). Since the initial deposit, an additional \$20.0 million was deposited in 2000 from the Police & Fire Retirement Settlement, \$229.8 million in 2020 and 2021 from the sale of Municipal Light & Power (“ML&P”), and \$5.9 million, between 2000 and 2014, from four smaller sources designated by the Assembly. The Trust is defined as an endowment fund for promoting growth of the corpus by establishing a controlled spending policy. The payout methodology, cited in Anchorage Municipal Code (“AMC”) 6.50.060, is used to determine the amount annually appropriated by the Assembly from the Trust to (i) provide an annual dividend to replace the ATU dividend and/or (ii) reduce property taxes. Since its inception, over \$170 million has been contributed to the General Government Operating Budget from the Trust. Calendar year dividend amounts and rates are detailed below in Figure 1 through the end of 2021.

**Figure 1: Trust Dividend Details**

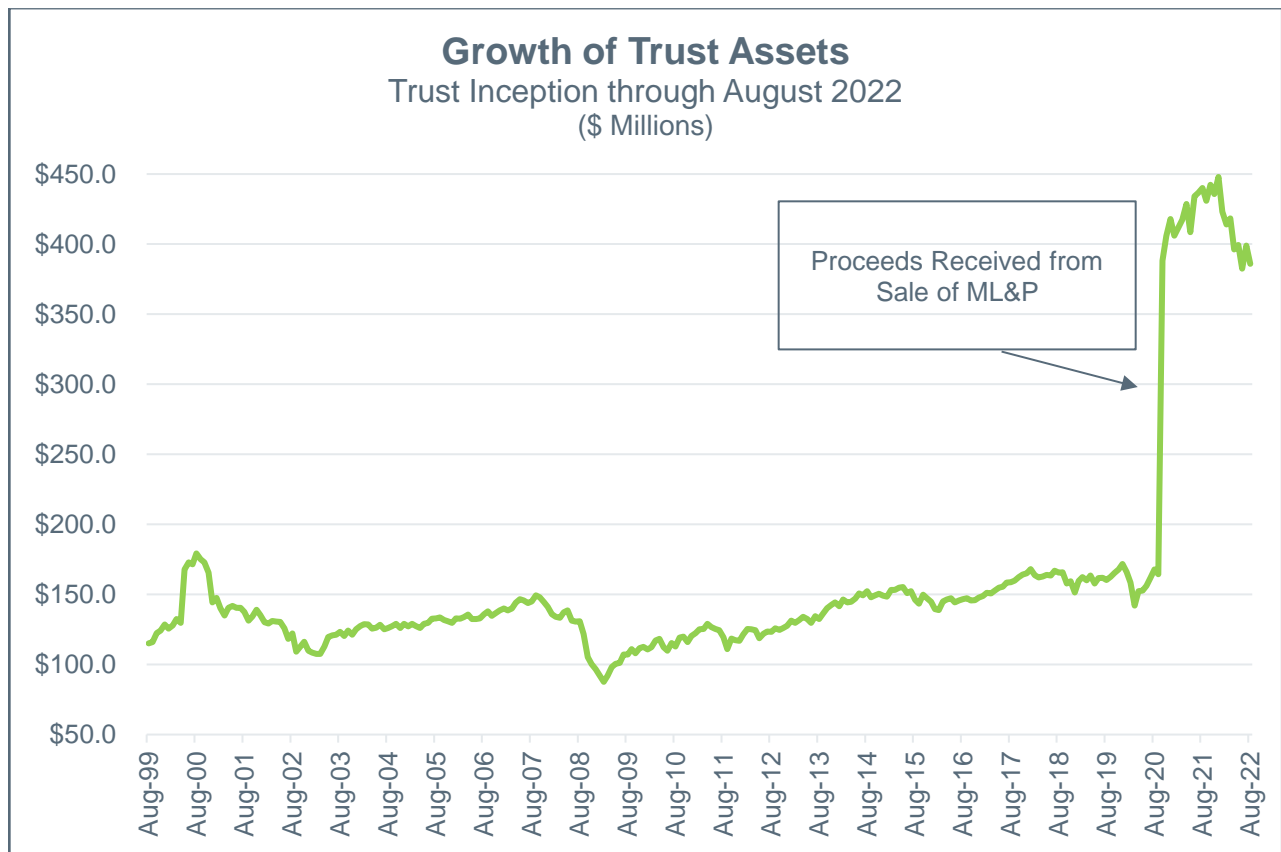
Year	Dividend \$	Dividend %	Year	Dividend \$	Dividend %
1999	\$9.4M	N/A	2010	\$5.1M	4.0%
2000	\$9.6M	N/A	2011	\$5.0M	4.0%
2001	\$9.4M	N/A	2012	\$4.8M	4.0%
2002	\$9.4M	N/A	2013	\$4.7M	4.0%
2003	\$8.2M	N/A	2014	\$4.9M	4.0%
2004	\$6.6M	5.0%	2015	\$5.2M	4.0%
2005	\$6.6M	5.0%	2016	\$5.4M	4.0%
2006	\$6.3M	5.0%	2017	\$6.0M	4.25%
2007	\$6.4M	5.0%	2018	\$6.3M	4.25%
2008	\$6.6M	5.0%	2019	\$6.5M	4.25%
2009	\$6.5M	5.0%	2020	\$14.0M	5.0%
			2021	\$18.8M	4.5%



## Asset Allocation of the Trust

The Trust assets have grown substantially over the years (as shown in Figure 2), due to both additional cash deposits by the Assembly/Municipality and an annualized net investment return of 5.53% since inception, while making substantial annual payouts. The original corpus was invested in a traditional 60/40 blend of equity and fixed income across six public market strategies. With the assets quadrupling in size over the past 23 years, the asset allocation of the Trust has progressively become more complex over time with the implementation of several additional asset classes including emerging markets debt, private credit, and private core and core plus real estate (as shown in Figure 3). The portfolio, valued at \$386 million as of August 31, 2022, is currently invested across seven public market strategies and five private market strategies. While the introduction and expansion of these complex asset classes are designed to improve the long-term growth of the Trust and its overall efficiency, they require an increased level of fiduciary and management oversight and additional administrative work for investment staff.

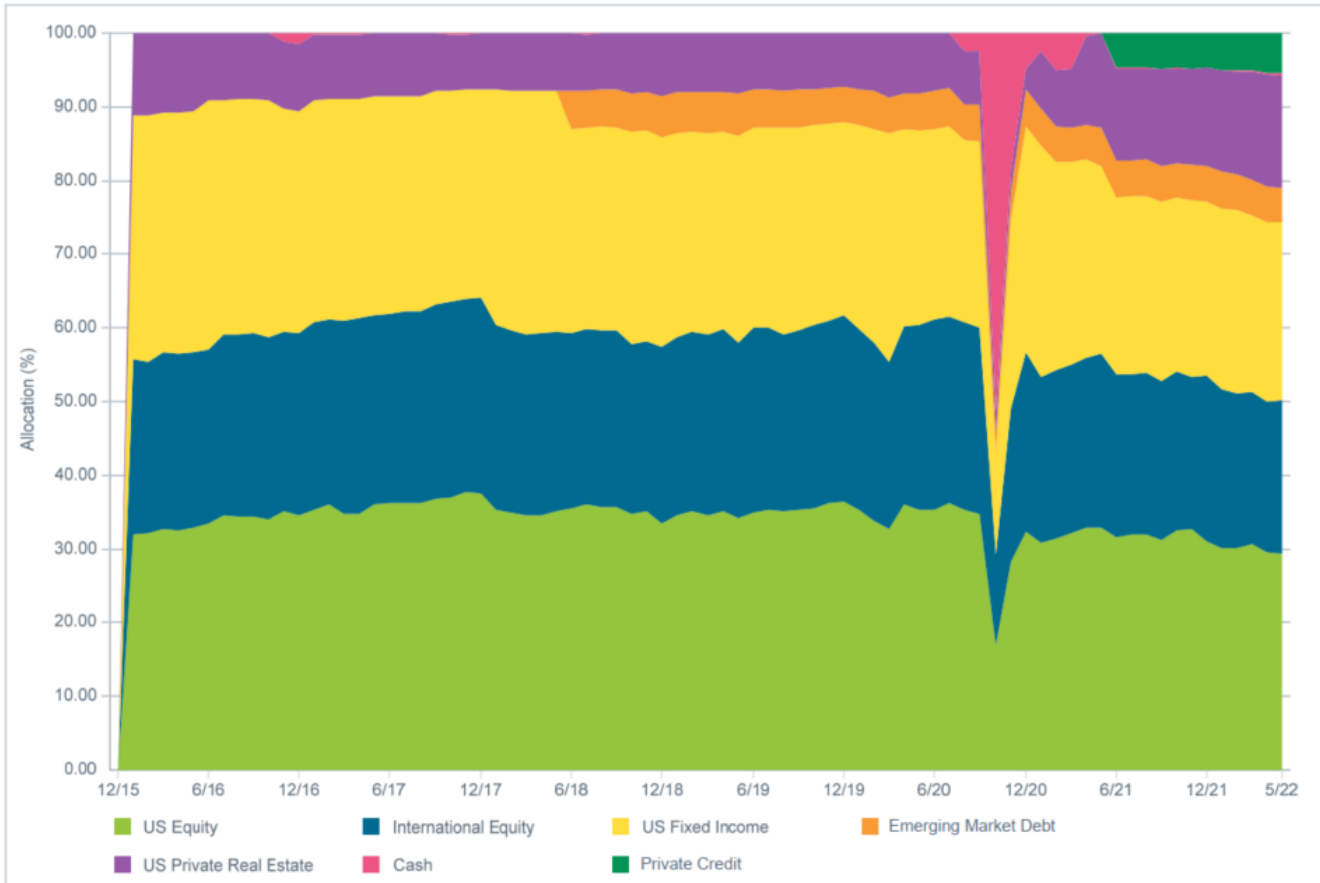
**Figure 2: Growth of MOA Trust Assets**



**Figure 3: Historical Asset Allocation**

Municipality of Anchorage  
Municipality of Anchorage - Trust Fund  
Historical Asset Allocation

Since Inception Ending May 31, 2022



Asset allocation shown here represents period from when RVK began monitoring the Municipality of Anchorage Trust Fund assets through May 2022.

### Management and Governance of the Trust

Pursuant to Anchorage Municipal Charter § 13.11(c) and section 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, is charged with the management of the Trust. The Treasurer serves as the sole named fiduciary of the Trust.

#### Municipal Treasurer

Besides the general duties and power of the Municipal Treasurer of receiving, collecting, and acting as the custodian for the Municipality of all money due or accruing to the Municipality, and proceeding in the manner required by law, the duties of the position relating to the Trust include:

- “1. The municipal treasurer shall hire the services of such investment managers, advisors, custodians and other professionals as are reasonably prudent and necessary to manage and invest the assets of the pooled trusts.

a. *The municipal treasurer may procure services from money manager firms, including transition manager firms, through an investment consultant as provided in subsection 7.20.080A.4. The investment consultant shall be selected through a competitive process. The municipal treasurer shall coordinate with the investment consultant and shall solicit input from investment advisory commission members and the chief fiscal officer prior to the final selection of a money manager. For a money manager firm contracted under the provisions of this section, assembly approval shall not be required provided, however, the municipal treasurer shall report to the assembly on a quarterly basis, through an assembly memorandum, on money manager contracts entered into pursuant to the provisions of this section including, but not limited to, the duties to be performed by the contractor and the compensation paid. All money manager contracts adopted in accordance with this section shall be approved by the chief fiscal officer prior to execution by the municipality.*

2. *The assets of the pooled trusts shall be managed and invested in accordance with subsections H. thru J.”*

Additionally, the Treasurer is responsible for:

- (i) Submitting an annual report on the performance of the pooled trusts', including net annual earnings and investment holdings, to the Mayor and the Assembly;
- (ii) Reviewing the controlled spending policy and recommend adjustments, as necessary, to maintain the long-term purchasing power of the MOA Trust Fund; and
- (iii) Serving as the Municipality's representative and secretary to the IAC.

#### Investment Advisory Commission

The Investment Advisory Commission (“IAC” or “Commission”), established under section 4.50.090, is comprised of nine members who are charged, under enabling ordinance AO No. 95-46, to act in a nonfiduciary advisory (strictly advisory) capacity to the Administration and the Assembly on matters related to the investment of municipal funds, including the MOA Trust Fund and the Municipal Cash Pool. On a quarterly basis, or as designated by the Treasurer, the Commission, under AMC section 4.50.090., has *“the powers, duties and responsibilities:*

- 1. *To give advice on matters concerning the investment of municipal funds, including the ATU Trust Fund, but excluding the municipality’s deferred compensation plan funds.*
  - a. *At least annually, the commission shall review the municipality’s investments and report to the mayor and assembly on the safety and appropriateness of the investments.*
- 2. *To give advice on the MOA Trust Fund on:*
  - a. *Policies, procedures and responsibilities for financial reporting and investments for the prudent and productive investment of municipal funds in the best interest of the municipality and its citizens;*

- b. *The process of selection, evaluation, retention, use, compensation and advice of financial and investment experts, consultants and managers with a view to minimizing costs and maximizing prudent and productive investment advice and management in the best interests of the municipality and its citizens;*
  - c. *Investments, investment strategies, economic and financial assumptions, asset allocation policies and prudent investment alternatives.*
3. *To perform such other duties as the municipal treasurer may reasonably request or the assembly may designate from time to time.”*

### Deputy Municipal Treasurer

In August 2022, a new position titled Deputy Municipal Treasurer was filled to assist the Municipal Treasurer in managing the Treasury Division and supervise designated staff. The position’s duties include, but are not limited to:

- (i) Working with the Municipal Treasurer to monitor, manage, and evaluate performance and structure of Trust, working with investment consultant and Investment Advisory Commission.
- (ii) Researching, analyzing and interpreting complex financial and economic data, applying economic theory, and utilizing statistical measures to serve both the Trust and Revenue Portfolios.
- (iii) Applying formal, in-depth knowledge and experience with quantitative and qualitative economic modeling to analyze and forecast municipal revenues.
- (iv) Communicating key revenue observations to the Administration and Assembly, serving as a primary source of expertise for policy makers to make key fiscal decisions.

### **Concerns Over Sole Fiduciary Model**

As discussed in the section above, the current governance model for the management and oversight of the Trust assets is the “sole fiduciary” structure. At the heart of our mandate and repeatedly encountered throughout our broad discussions with professionals during this project is a deep concern over the wisdom of having an asset such as the Trust, which after reviewing the foundational documents that underlay the Trust’s mission, we assume is to be held in perpetuity for the benefit of the residents of Anchorage, governed by a sole fiduciary, and indeed one that is an employee of the Municipality and serves at the MOA Administration’s discretion.

While the comparative merits of a wide variety of governance (and operational) models are discussed in more depth in the section below, it is worthwhile to summarize the concerns the RVK project team encountered during the execution of this project. We might note that while a sole fiduciary model can work well—as has for many years at MOA—that success is attributed more to the individual (and supporting cast) than to the model and its attributes directly. The question that immediately arises is whether the oversight and management of the Trust might have been executed less effectively or with greater risk had there been a different individual, or more likely over this period, a different sequence of individuals who held the power of the sole fiduciary.

To summarize the concerns that emerged from our research in Anchorage:

1. A trust held in perpetuity—such as the MOA Trust—should have a stable governance structure over time, one that matches its perpetual life and is not at “key person” risk to a single personnel decision which could occur at any point in time for any reason. While MOA has enjoyed a very long period of stability in the tenure of the Treasurer—the sole fiduciary designated by the MOA City Charter—other key financial roles have seen far greater turnover. Should the Charter-designated Office of the Treasurer experience similar turnover in future years for whatever reasons, there would be a significant mismatch between the perpetual nature of the Trust and its sole decision-maker.
2. A trust—such as the MOA Trust—whose purpose is to generate annual contributions to the Municipality while keeping the corpus inviolate for future years and residents is best managed with a highly stable and persistent long-term investment strategy. The potential for turnover in the Charter designated sole fiduciary—regardless of the causes—makes it more difficult to adopt, maintain, and execute such a long-term investment strategy—the hallmark of a well-managed perpetual fund.
3. A trust—such as the MOA Trust—that relies on a sole fiduciary also by definition places in the final analysis near total reliance on the investment knowledge and acumen of a single individual. This is particularly problematic in the case of the Trust which, unlike the very few extremely large funds that utilize the sole fiduciary model, cannot justify the creation of a large, permanent, and highly experienced internal investment staff. Moreover, this concern is significantly exacerbated by the growing complexity of the investment strategy documented earlier in this report.
4. A trust—such as the MOA Trust—with greater assets, increasingly complex investment strategy, and investment vehicles utilized—benefits greatly from a governance structure that contributes to a substantial measure of retained “institutional knowledge.” That knowledge is a key foundation for stable and sustained investment decision-making, particularly in times of stress in the investment markets.
5. A trust—such as the MOA Trust—whose beneficiaries include not only current residents but also *future generations* of Anchorage residents—would benefit from a measure of independence from the political leadership selected only by the *current* voters in the Municipality. The Charter’s designation of a sole fiduciary who is also an employee of the Administration that happens at any point in time to be in office and who serves at the pleasure of the Mayor in place, risks closely linking the management of the Trust to the most recent electoral results versus the full universe of Trust beneficiaries.

## IV. RVK Perspectives

This section of our report presents our general perspectives that we bring to this mandate. These perspectives are the foundation for our recommendations that we offer in the following section.

### The Trust

After reviewing the foundational documents that underlay the Trust’s mission, we assume that the Trust is a fund held in perpetuity for the benefit of the Municipality and its residents. This may seem an obvious conclusion, but it ties to several core recommendations as will be made clear in the following section.

### Accountability versus Independence

A core principle that all public funds—including the Trust—must address in their governance structures is the tension between two desirable goals: accountability in the management of the assets and a material degree of independence from the political process.



### The Sole Fiduciary Model

The sole fiduciary model is rarely used in management of funds created for either the benefit of specific beneficiaries, the furtherance of specific long-term goals, or goals that are perpetual in nature. The sole fiduciary model can, and has, performed admirably in instances where the individual holding that responsibility brings the necessary capabilities, time, resources, and unwavering integrity to the role. Indeed, we are aware of several notable examples. Stating this, however, is equivalent to saying that its success is extremely person specific. Moreover, the creation and maintenance of institutional fund management history, stability in decision-making, and persistence in the creation and implementation of long-term investment strategies are more challenging under the sole fiduciary model. By its very nature, the sole fiduciary model creates a significant measure of key person risk. Finally, the balance deemed desirable between accountability and independence can be more difficult to strike and maintain under the sole fiduciary model. If the sole fiduciary is a public employee who can be removed at any time, accountability is high but independence in the management of trust assets is low. If the sole fiduciary is not a public employee and is assured of maintaining his/her role to end-of-term, independence is high but accountability to the beneficiaries may be low.

## Sole Fiduciary Supplemented by an Advisory Committee

Advisory committees are not a structural feature commonly seen in public funds like the Municipal Trust, but they are in use—albeit relatively infrequently—throughout the institutional investment universe in the US. Indeed, we are aware of several instances where they are a formal structural addition to a fund directed by a sole fiduciary. The use of a supplemental advisory committee—by definition non-voting or without any other governance authority—can bring additional perspectives and experience to discussions regarding the management of the fund. However, the ability of a standing advisory committee to address the challenges faced by the sole fiduciary model noted above is extremely limited. And we have sometimes observed that the most capable and experienced candidates for seats on an advisory committee feel that, absent any actual authority over the management of the assets, their time is better spent elsewhere. A robust and effective advisory committee is highly dependent on the ongoing availability of committed volunteers with the requisite experience and knowledge.

## A Fiduciary Board

A board of trustees—each bearing fiduciary obligations—is the most commonly used governance structure in public fund management in the US, and indeed globally. While the size and composition of trustee boards vary enormously, to a great degree this model directly addresses the challenges facing the sole fiduciary model, spelled out in the case of MOA in the section immediately above. The variation in board size and composition is, as noted, extremely large and some forms of the trustee board model can carry structural challenges. For example, a board that is selected by a single individual, each member serving at that individual's pleasure, and (to make the scenario more extreme) each individual being a public employee reporting to the same authority, places even a multi-person board at the far end of the spectrum between accountability and independence. Trustee boards can also be excessively large creating impediments to efficient and timely decision-making. Finally, trustee boards dominated by current fund beneficiaries can sometimes dilute their fiduciary focus with a sense of an equal or superior duty to the specific segment of the beneficiary group they represent.

## Staffing a Public Fund

We believe there are five factors in the consideration of how a fiduciary overseeing a public fund might benefit from dedicated staff support.

1. **Asset Size:** How large is the fund now and likely to be in the future? The larger the assets that must be managed, the stronger the case for dedicated staff support. In our judgment, the current size and likely growth in the Trust merit dedicated staff support proportional to its size.
2. **Investment Strategy:** The broader the number of asset and sub-asset classes utilized by the fund and the breadth of strategies within each can lead to the need for dedicated staff support. In our judgment, the Trust has an increasingly complex investment strategy that merits access to supporting expertise.

3. **The Use of a General Investment Consultant:** If the fund and its fiduciary(ies) utilize a competent investment consultant in whom they have confidence and who reports directly to them, this can significantly reduce the need for dedicated staff, though not necessarily eliminate it. The selection and direction of an independent investment consultant solely by the fiduciaries also helps fortify the independence of their investment decisions. Various surveys, which show that a very large majority (circa 85% to 90%) of funds in the US utilize a trustee-selected investment consultant, strongly suggest this is a broadly accepted best practice.
4. **Complexity of Fund Operations:** If the fund has, by the nature of its mission, the need to frequently calculate and manage cash flows into the fund, out of the fund, and between managers in the fund, the case for dedicated staff rises. In our judgment, the Trust's operational requirements are currently modest—certainly compared to a pension plan for example—but may grow over time.
5. **The Desired Balance Between Accountability and Independence:** The greater the desire for the fund's governance and management to be independent from the electoral and political process, the stronger the case for dedicated staff support selected by, managed by, and serving the fiduciaries directly.

## **The Governance Structure of the Municipality and Our Mandate**

Our mandate in executing this study and providing our recommendations explicitly included consideration of changes that might be required in the City Charter should the Municipal Counsel so conclude. However, we are assuming that latitude does not extend to any other aspect of the governance structure of the Municipality as a whole, most specifically the current power of the Mayor to make all appointments with the concurrence of the Assembly. Therefore, the recommendations which follow conform to this requirement while attempting to address the various goals, objectives, and considerations discussed above.



## V. Recommendations for Implementing Effective Long-Term Governance and Management of the Trust

In this section of the report, we offer our key recommendations to the Municipality regarding a governance structure for the Trust. These recommendations are informed by our review of the underlying documents and extensive interviews noted earlier in this report. They also benefit from our extensive experience over the past 35 years working with institutional investors. Our recommendations seek to the greatest degree possible to (1) strike a balance between independence for the fiduciaries and accountability to the citizens of Anchorage, (2) recognize the existing authority and process for Municipal appointments, and (3) create a fiduciary body with the breadth of views, stability, and commitment needed to enhance the value of the Trust over the long-term.

### **Recommendation #1**

Establish a seven-member Board of Trustees (Board) with the authority to manage in all respects the investment of the Trust and the annual amount that can be distributed from the Fund which, after formal analysis and recommendations by the Board's advisors, maximizes the Trust's contribution to the Municipality and its current residents while maintaining the real value of the Trust's corpus for future generations of the citizens of Anchorage.

We acknowledge that the number of trustees we recommend is somewhat subjective. It represents a compromise between the benefits associated with a multi-member board and the challenges associated with recruiting and retaining a larger board as well as the rising difficulties in group decision-making as the number increases. A seven-member Board would fall into the range of effective compromise in our judgment and allow for board independence via a staggered term structure.

The key aspect of this recommendation, however, is a multi-member trustee group.

### **Recommendation #2**

The Trust should formally adopt being 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 must make investment decisions that a person of reasonable intelligence, discretion, and prudence could be expected to make.

This is the most widely accepted foundational principal for institutional investing, generally but particularly applicable in the case of a perpetual trust such as the Trust. The Prudent Investor Rule has been adopted almost universally across the US.

### **Recommendation #3**

A majority of the Board should consist of appointees that are not currently elected officials, appointed professionals, or employees of the Municipality.

Adoption of the recommendation introduces independence and broader insights directly into the investment decision-making process and likely increases the probability of obtaining the strongest and most experienced Board candidates available to the Municipality.

### **Recommendation #4**

A minority of the Board may be current employees of the Municipality.

### **Recommendation #5**

Consistent with the current authority and process, all Board members will be appointed by the Mayor with the concurrence of the Assembly.

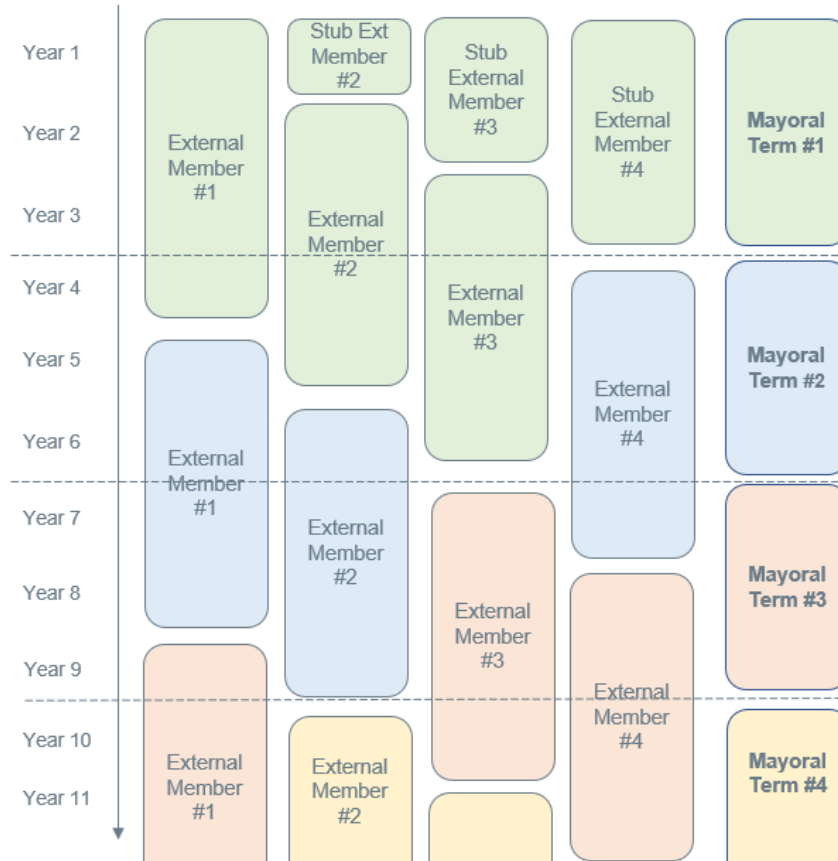
### **Recommendation #6**

There should not be specific professional requirements for prospective Board members, but the appointment process should include a summary of their qualifications and experience in similar positions of responsibility, such as experience as a trustee or participation in institutional investing, particularly involving multiple asset classes, the management of financial institutions, or similar highly relevant experience.

### **Recommendation #7**

The terms of the external members should be staggered and of sufficient length such that their terms expire and new appointments are required across the mayoral election cycle, with the objective that during each mayoral term the individual holding that office may not appoint all external members to the Trust Board. In the event that vacancies occur prior to the end of an independent member's term, a replacement appointee may only serve out the remaining period of the term to preserve the staggered appointment process.

Below is a visual example of how staggered terms of four years ensure that all four external members of the Board (assuming a seven-member Board) would not all be appointed during a single mayoral term, with the exception of at implementation where "stubbed" terms may be used.



**Recommendation #8**

The Board should elect a Chair from within its membership and have unrestricted authority (but with full transparency and full reporting obligations) to use Trust assets to retain external advisors and experts it deems appropriate to manage the Trust effectively and prudently.

**Recommendation #9**

The Board should be required to make available to the Municipality and the Assembly quarterly reports on the Trust’s performance as well as formally submit a comprehensive annual report detailing the investment strategy pursued by the Board, both retrospectively and prospectively, as well as its execution.

**Recommendation #10**

While the Board may, at their discretion, retain and rely on external experts and advisors, the Fund’s operations—the management of cash flows, legal analysis as it relates to Municipal Charter and Code requirements, and the execution of investment management agreements, etc.—should be conducted by the Municipal Chief Fiscal Officer and Finance Department personnel (“CFO Office”). The CFO Office shall be required to execute the operations necessary for the timely and effective execution of the Board’s investment strategy and decisions.

## VI. Issues for Future Consideration

As the Trust assets grow over time, the Municipality should consider the potential benefits of authorizing the Board to select and retain one or more staff members who would report directly to the Board and facilitate its mission. As we noted earlier, the Trust is likely to not only grow over time but also grow in complexity—a function of the increasing breadth of investment opportunities it can and may choose in the pursuit of (1) protecting the Trust assets, (2) maximizing returns available to the Municipality, while (3) maintaining the real value of the Trust for future generations of the citizens of Anchorage.

At present, we believe that the efficiencies of utilizing the resources of the CFO Office along with the Board's external advisors are sufficiently compelling enough to not recommend that the Board be authorized to retain its own staff. But as circumstances change, that conclusion should be revisited in our opinion. A likely first step in creating a staff capability directly selected and managed by the Board itself would be to create a Director of Investments position whose duties would essentially focus on the direction and coordination of the various resources serving the Board and the Trust itself—notably the investment consultant, all legal advisors (whether MOA staff or external), the custodian bank, and relationships/communications with the asset managers employed by the Board.

## Appendices

- Anchorage Charter & Code of Ordinances Applicable to the Trust
- RVK Team Biographies

## Anchorage Charter & Code of Ordinances Applicable to the Trust

### Section 13.11. - Trust fund.

- (a) When a municipal owned utility is sold pursuant to section 16.02 of this Charter, the proceeds shall be used to:
- (1) Retire the debt of that utility;
  - (2) Retire other municipal debt deemed appropriate by the assembly;
  - (3) Establish a trust fund with the balance of the proceeds.
- (b) The trust fund shall be defined as an endowment fund with a controlled spending policy limiting dividend distributions and managed by the municipal treasurer under chapter 6.70 of the Municipal Code with the following stipulations:
- (1) The corpus, or a portion of the corpus, of this trust shall be maintained in perpetuity as an endowment. Any use of the corpus, or a portion of the corpus, separate from the controlled spending policy of the endowment, may only be used for purposes approved by a majority of the voters voting on a ballot proposition in a regular or special election;
  - (2) Under the endowment's controlled spending policy an annual dividend may be appropriated by the assembly provided that the annual appropriation does not exceed five percent of the average asset balance of the trust.
- (c) The fund shall be invested and managed in accordance with chapter 6.50 of the Municipal Code.

(AO No. 89-27(S), prop. 1, 10-3-89; AO No. 2002-11, § 2, 2-12-02)

### 6.50.060 - MOA Trust Fund.

A. *Definitions.* In this section, unless the context clearly indicates otherwise:

*Annual earnings* means the amount of interest, dividends, and realized gains and losses from investment activities at the end of each fiscal year.

*Annual dividend* means the amount annually appropriated by the assembly from the MOA Trust Fund and distributed to MOA to replace the ATU dividend. The annual dividend is subject to the controlled spending policy and shall be paid no later than 15 days prior to the end of the fiscal year in which the dividend is appropriated.

*Average asset balance* means the market value of the pooled trusts' assets, including accrued investment interest and dividends, averaged according to the following specified terms:

2020 annual dividend payment to be based on the average asset balance associated with the audited December 31, 2019 market value and the initial month end market value associated with the ML&P sale closing date, using the full amount of anticipated net ML&P sale proceeds, as assigned to the MOA Trust Fund in accordance with ML&P sale closing documents.

2021 annual dividend payment to be based on the average asset balance associated with the trailing two consecutive quarters ending March 31, 2021.

2022 annual dividend payment to be based on the average asset balance associated with the trailing six consecutive quarters ending March 31, 2022.

2023 annual dividend payment to be based on the average asset balance associated with the trailing ten consecutive quarters ending March 31, 2023.

2024 annual dividend payment to be based on the average asset balance associated with the trailing 14 consecutive quarters ending March 31, 2024.

2025 annual dividend payment to be based on the average asset balance associated with the trailing 18 consecutive quarters ending March 31, 2025.

2026 and later years' annual dividend payment to be based on the average asset balance associated with the trailing 20 consecutive quarters ending March 31 of each fiscal year.

*Corpus of the MOA Trust Fund (or corpus)* means:

1. The aggregate of the following proceeds previously deposited by the assembly:
  - a. Proceeds from the sale of ATU after retirement of ATU debt;
  - b. Proceeds allocated from the police and fire retirement system settlement; and
  - c. Proceeds from the sale of ML&P determined in accordance with Anchorage Charter Section 13.11(a).

Plus:

2. Increases from:
  - a. Inflation-proofing from available annual earnings in calendar years 1999 and 2000;
  - b. Residual market value appreciation remaining after paying the annual dividend each fiscal year beginning 2002, in accordance with the controlled spending policy; and
  - c. Any other amounts the assembly may add.

Reduced by:

3. Fund expenses.

*Endowment method* means a long-term investment strategy that promotes corpus growth by establishing a controlled spending policy, thereby requiring the annual dividend calculation to be tied to a rolling average asset balance of the pooled trusts and providing for reinvestment of any net annual earnings remaining after the annual dividend is determined.

*Fund expenses* means incurred expenses which are reasonably prudent and necessary to manage and invest the assets of the pooled trusts, including all fees charged by external service providers such as investment managers, advisors, custodians and other professionals, and also including MOA's internal direct and indirect expenses incurred in providing administrative and oversight services for the benefit of the pooled trusts. Fund expenses are funded by annual earnings and are allocated to the pooled trusts on a pro-rata basis.

*MOA* means Municipality of Anchorage.

*Pooled trusts* means the MOA Trust Fund (Fund 730) and MOA Trust Reserve (Fund 731) until such time as the balance of the MOA Trust Reserve is zero.

- B. *MOA Trust Fund established.* Pursuant to Charter § 13.11, there is hereby established the MOA Trust Fund as Fund 730 to be defined as an endowment fund with a controlled spending policy limiting dividend distributions and managed by the municipal treasurer
- C. *MOA Trust Reserve established.* There is hereby established the MOA Trust Reserve as Fund 731 to hold the ATU Revenue Bond Reserve Investment and any other amounts the assembly may deposit, the corpus or earnings of which may be used upon approval of the assembly to (1) supplement the MOA Trust Fund annual dividend, (2) provide a reduction in property taxes, (3) retire municipal debt or (4) contribute additional funds into the MOA Trust Fund corpus.
- D. *Controlled spending policy.* No more than five percent of the average asset balance will be available for annual dividend distribution in Year 2020 only and the maximum payout percentage rate shall be reduced to four and one-half percent thereafter. The four and one-half percent cap is tied to an endowment method whereby long-term capital market projections for average annual investment return over the next ten to twenty years are netted against projected inflation (e.g., if long-term capital market projections in a given year indicated a six and one-half percent average annual investment return less two percent average annual inflation, this would lead to a projected "net" average annual rate of return of four and one-half percent).
- E. *Net annual earnings.* Annual earnings are reported net of fund expenses. Net annual earnings remaining after paying the annual dividend each fiscal year are reinvested in the pooled trusts on a pro-rata basis.
- F. *Assembly appropriation.* Subject to and in accordance with the controlled spending policy, the assembly shall make an appropriation from the MOA Trust Fund 730 on an annual basis to (1) provide an annual dividend from the fund to replace the ATU dividend and/or (2) reduce property taxes.
- G. *Management of the pooled funds.* Pursuant to Anchorage Municipal Charter § 13.11(c) and section 6.70.010, the municipal treasurer, under the direction and supervision of the chief fiscal officer shall manage the pooled trusts in accordance with the provisions of this section.
  - 1. The municipal treasurer shall hire the services of such investment managers, advisors, custodians and other professionals as are reasonably prudent and necessary to manage and invest the assets of the pooled trusts.
    - a. The municipal treasurer may procure services from money manager firms, including transition manager firms, through an investment consultant as provided in subsection 7.20.080A.4. The investment consultant shall be selected through a competitive process. The municipal treasurer shall coordinate with the investment consultant and shall solicit input from investment advisory commission members and the chief fiscal officer prior to the final selection of a money manager. For a money manager firm contracted under the provisions of this section, assembly approval shall not be required provided, however, the municipal treasurer shall report to the assembly on a quarterly basis, through an assembly memorandum, on money manager contracts entered into pursuant to the provisions of this section including, but not limited to, the duties to be performed by the contractor and the



compensation paid. All money manager contracts adopted in accordance with this section shall be approved by the chief fiscal officer prior to execution by the municipality.

2. The assets of the pooled trusts shall be managed and invested in accordance with subsections H. thru J.

H. *Investment objectives.* The investment objectives of the pooled trusts are to utilize a balanced investment approach, combined with a controlled spending policy, to preserve the purchasing power of the corpus and to maximize rates of return over time by investing in equity and fixed income instruments, real estate and alternative investments and strategies, within prudent levels of risk and consistent with established endowment investment practices.

1. An investment policy, consistent with this section, for the investment of the pooled trusts, shall be established and from time to time modified, as necessary.

I. *Authorized investments.* In addition to the investments authorized by section 6.50.030, but subject to the investment restriction of this section, the assets of the pooled trusts may be invested in the following types of investments:

1. Publicly traded equity investments, including but not limited to preferred and common stock and investment company shares;
2. Debt instruments issued by the U.S. government, its agencies and instrumentalities, and debt instruments that have been issued by domestic and non-domestic entities, subject to investment grade and currency denomination restrictions cited in subsection J.2.;
3. Real estate investments in a diversified portfolio of institutional quality, predominantly income producing properties held in a collective investment vehicle which limits the pooled trusts' liability;
4. Alternative, basket clause investments utilizing special purpose investment vehicles, subject to restrictions cited in subsection J.4.;
5. Fixed income derivative instruments used in an unlevered manner to implement portfolio strategies consistent with this section;
6. Cash and cash equivalents including but not limited to repurchase agreements, certificates of deposit and shares in a money market or short-term investment fund that consist of securities of the type and quality as those listed above;
7. Mutual funds or other interests in collective and commingled investment vehicles that invest predominantly in investments permitted in this section.
  - a. Assets may be invested through a limited liability entity, including a corporation, limited partnership, limited liability partnership, or limited liability company, or through a collective or commingled investment fund, including a fund-of-funds.

J. *Investment restrictions.* Notwithstanding any other provision of this title, investment of the assets of the pooled trusts shall be restricted as follows:

1. *Equity securities.* No more than:
  - a. Sixty-five percent (65%) of the pooled trusts' assets may be invested in equity investments;

- b. The greater of five percent (5%) or one and one-half times the security's weight in the S&P 500 stock index of the market value of the equity portfolio assets, at the time of the purchase, shall be invested in the equity securities of any one issuer;
- c. Five percent (5%) of the voting stock of any corporation may be acquired by the pooled trusts.

2. *Fixed income securities.* No more than:

- a. Five percent (5%) of the pooled trusts' fixed income portfolio assets may be invested in the fixed income securities of any single issuer, with the exception of the U.S. government, its agencies and instrumentalities;
- b. Ten percent (10%) of the overall pooled trusts' portfolio at time of purchase may be invested in domestic fixed income securities with:
  - i. An investment rating below BBB- as measured by Standard & Poor's rating agency (or an equivalent national rating agency), subject to the totality of fixed income asset holdings having an equivalent, aggregate investment grade rating of BBB- or higher when examined on a dollar weighted basis;
- c. Thirty percent (30%) of total fixed income assets at time of purchase may be invested in investment grade fixed income securities issued by non-domestic entities whose securities are dollar denominated (or fully hedged in U.S. dollars);
- d. Five percent (5%) of the overall pooled trusts' portfolio value at time of purchase may be invested in fixed income securities with:
  - i. Unhedged, non-dollar denominated investment grade securities, including emerging market debt securities.

3. *Real estate.* No more than:

- a. Ten percent of the overall pooled trusts' portfolio value at time of purchase may be invested in real estate investments cited above in subsection I.3.

4. *Basket clause flexibility.* No more than:

- a. Ten percent of the overall pooled trusts' portfolio value at time of purchase may be used to provide basket clause flexibility in:
  - i. Extending investment parameters in any of the asset classes cited in this section; or
  - ii. Utilizing investment vehicles such as limited partnerships or special purpose trusts to provide access to well-diversified alternative investment portfolios or strategies. Examples of such limited liability investments include, but are not limited to, hedge fund of funds (absolute return strategy), private equity, private debt, and various real return and/or inflation hedge products.

- K. *Reporting.* An annual report on the performance of the pooled trusts', including net annual earnings and investment holdings, shall be submitted to the mayor and the assembly.

- L. By March 15, 2007, and by the same date every fifth year thereafter, the municipal treasurer shall review the controlled spending policy and recommend adjustments, as necessary, to maintain the long-term purchasing power of the MOA Trust Fund.

(AO No. 99-50(S), § 1, 4-6-99; AO No. 99-156, § 1, 1-11-00; AO No. 2000-89, § 1, 6-13-00; AO No. 2000-162(S), § 1, 11-21-00; AO No. 2002-10, § 1, 4-16-02; AO No. 2003-167, § 1, 1-6-04; AO No. 2006-146, § 1, 10-31-06; AO No. 2009-3, § 1, 1-20-09; AO No. 2016-127, § 1, 11-1-16; AO No. 2020-98, § 1, retro eff. 1-1-20)

## Chapter 6.70 - TREASURER<sup>[1]</sup>

Footnotes:

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**Cross reference**— Code of ethics, ch. 1.15; mayor shall appoint the heads of certain agencies without assembly confirmation, § 3.20.020.

### 6.70.010 - General powers and duties.

The treasurer, under the direction of the chief fiscal officer, shall receive, collect and be the custodian for the municipality of all money due or accruing to the municipality, and he may attach or distrain for the such money, proceeding in the manner required by law.

(GAAB 9.30.010)

### 6.70.020 - Uncollected bills and accounts to be turned over to successor in office.

The treasurer shall, at the expiration of his term of office, turn over to his successor in office at once all uncollected bills and accounts and all books and papers connected therewith, and the outgoing treasurer shall be credited with such uncollected bills and accounts, and the incoming treasurer shall be charged with and shall collect such bills and accounts.

(GAAB 9.30.020)

### 6.70.030 - Accounts of receipts and disbursements; payments.

- A. Except as otherwise provided in this title, the treasurer shall keep an accurate account of all cash receipts and disbursements, and shall not make payment of any sums, except upon receipt of a properly approved voucher.
- B. A late payment penalty of \$25.00 shall be due and payable on the forty-fifth day following the original invoice date for miscellaneous accounts receivable. The account receivable shall continue to accrue a late payment penalty of \$25.00 per month for each additional thirty day period in which the invoice is past due or not fully paid, up to a maximum penalty of \$250.00. Payments on miscellaneous accounts receivable shall be applied in the same manner as property tax under Anchorage Municipal Code Section 12.15.060E.

(GAAB 9.30.030; AO No. 94-107, § 5, 6-7-94; AO No. 2003-152S, § 1, 1-1-04; AO No. 2014-61, § 4, 5-20-14)

6.70.040 - Record of negotiable notes.

The treasurer shall make and keep a record showing the name of the payee, the amount and the date of execution and of maturity of all negotiable notes of the municipality made by authority of the assembly, and he shall furnish to the controller a copy of this record.

(GAAB 9.30.040)

6.70.050 - Municipal depositories.

- A. The treasurer shall deposit all moneys received by him belonging to the municipality in such banks as the mayor and/or chief fiscal officer have established as municipal depositories. Endorsement for deposit may be made by the written or stamped endorsement of the municipality without designation of the person making the endorsement. A report of all municipal moneys and investments shall be submitted to the assembly monthly, such reports indicating all municipal depositories.
- B. A bank account in the name of the municipality may be opened and kept with any state or federally chartered commercial or mutual bank, savings and loan association or credit union located in the municipality and having insurance of accounts through the appropriate federal insuring agency of the United States. Any financial institution in the United States meeting such qualifications may be selected as a depository for funds of the municipality.
- C. The mayor and the chief fiscal officer shall be authorized to establish bank accounts for checking, depository, trust, escrow or investment purposes.
- D. Prior to establishing bank accounts under subsections B and C of this section, the chief fiscal officer shall review the financial condition of a prospective depository as reported by a nationally recognized financial institution rating service. At least semiannually, the treasurer shall review the financial condition of municipal depositories as reported by a nationally recognized financial institution rating service.
- E. All banks selected by the mayor or chief fiscal officer under subsection B of this section are hereby authorized to honor any checks drawn in the name of the municipality, when signed by the mayor and countersigned by the municipal treasurer, or, in the absence of the treasurer, the cash management and investment officer, or when signed by other individuals designated under section 6.30.095. Facsimile signatures may be used in lieu of manual signatures.
- F. All banks selected by the mayor or chief fiscal officer under subsection B of this section are hereby authorized to honor any orders for the payment of money by wire or electronic means when ordered to be drawn from the accounts of the municipality by the treasurer, the cash management and investment officer or the assistant investment officer.
- G. All banks selected by the mayor or chief fiscal officer under subsection B of this section are authorized and directed to honor, pay and charge to any or all of the municipality's accounts all checks and orders for the payment of money so drawn without inquiring as to the circumstances of their issue, or the disposition of their proceeds. Banks shall not honor checks or orders:
  - 1. Payable to cash;
  - 2. Endorsed payable to the order of the mayor, municipal treasurer or cash management and investment officer; or

3. Payable to the order of the mayor, municipal treasurer or cash management and investment officer when signed by the payee only.

H. The chief fiscal officer and treasurer are authorized to obtain from the banks current accounting of balances within any depository regarding any accounts of the municipality inclusive of any and all municipal fund activities.

(GAAB 9.30.050; AO No. 94-107, § 6, 6-7-94)

6.70.060 - Use of facsimile signature for signing checks. (Repealed)

(GAAB 9.30.060; AO No. 94-107, § 7, 6-7-94)

6.70.070 - Sums due municipality to be deducted before paying vouchers.

Before paying any voucher, the treasurer shall deduct from the amount thereof such sum, if any, as may be due the municipality by the person in whose favor such payment is drawn.

(GAAB 9.25.070; AO No. 2014-61, § 5, 5-20-14)

6.70.080 - Daily deposit of money collected.

Except in cases where deposits at longer periods are specifically authorized by ordinance or the chief fiscal officer, it shall be the duty of every person authorized to receive or collect money for account of the municipality to deposit such collections in full daily with the treasurer or directly in the bank. The treasurer or designee shall record the receipts collected daily and such receipts will balance to the receipts deposited. The controller or designee shall regularly reconcile the bank account to ensure that deposits recorded by the treasurer agree with the bank records.

(GAAB 9.25.080; AO No. 2014-61, § 6, 5-20-14)

6.70.090 - Duty of officers having municipal funds in hand.

All officers and agents of the municipality having in their hands funds belonging to the municipality which are not required to be deposited daily with the treasurer or directly in the bank shall keep such funds under safeguarded provisions as the chief fiscal officer may authorize.

(GAAB 9.30.090; AO No. 2014-61, § 7, 5-20-14)

6.70.100 - Recording of certain expenses incurred by municipality. (Repealed)

(GAAB 9.30.100; AO No. 94-107, § 8, 6-7-94)

6.70.110 - Report of default in payment of money due municipality.

The treasurer shall report to the chief fiscal officer any default in the payment of any money due the municipality.

(GAAB 9.30.110)

6.70.120 - Collection of taxes.

The treasurer is directed to enforce the collection of unpaid municipal taxes and other moneys due the municipality using legal proceedings therefor when necessary.

(GAAB 9.30.120)

6.70.125 - Cost of external collection.

A. Definitions. As used in this section:

1. Collection agency(ies) means a person, firm or other entity with a municipal contract to provide 3<sup>rd</sup> party collection services.
2. Cost of collection means the fee or commission described in a municipal contract allowed to be earned by a collection agency for collecting, or attempting to collect, delinquent municipal debt, which may include, but is not limited to, a percentage-based fee, flat fee, contingency fee, or actual costs incurred for collection activities rendered.
3. Debtor means any person, firm or other entity owing a municipal debt.
4. Municipal debt includes all fines, fees, taxes, interest, penalties and costs established by code, court-ordered judgments received from the Alaska Court System, and Final Orders received from the Administrative Hearing Officer.

B. The municipality may assign delinquent municipal debt to a collection agency. The cost of collection shall become the sole liability of the debtor and shall be paid by the debtor, with debtor funds, to the collection agency.

C. The collection agency shall deduct and retain, on a pro rata basis, the cost of collection from the funds it collects from a debtor until that debtor's assigned municipal debt is paid in full.

D. The collection agency shall provide monthly reports to the treasurer detailing payments received from debtors.

E. This section shall also apply to outstanding balances of municipal debt assigned to a collection agency prior to January 1, 2011, subject to at least one attempt being made to notify the debtor of their liability to pay the cost of collection associated with unpaid balances.

(AO No. 2010-80, § 1, 11-9-10, eff. 1-1-11; AO No. 2014-56, § 1, 5-6-14)

6.70.130 - Certification of outstanding taxes, special assessments and other liens.

An issued certified certificate of outstanding taxes, special assessments and any other liens against properties shall be made available by the municipality. Such certificate shall be conclusive evidence of such obligations.

Evidence of outstanding taxes, special assessments and any other liens against properties which is provided to the recipient verbally shall be the recipient's responsibility regarding the accuracy of such evidence.

6.70.140 - Custody of securities.

For the protection of the municipality and all parties concerned, the custody of municipal bonds on hand and all other securities on hand shall be under the joint control of the chief fiscal officer and the treasurer, and neither of such officers shall have access to the bonds or securities in the absence of the other.

(GAAB 9.20.170)

6.70.150 - Applicability of chapter to Anchorage Telephone Utility. (Repealed)

(AO No. 91-173(S); AO No. 92-166; AO No. 2015-23(S), § 1, 3-24-15)

**4.50.090 - Investment advisory commission.**

- A. There is established an investment advisory commission consisting of nine members. Members of the commission shall be qualified by experience in the fields of finance, economics or investments. The commission members shall serve in an advisory capacity only. The municipal treasurer shall serve as the municipality's representative and secretary to the commission.
- B. The commission shall meet quarterly or more often as designated by the commission or the municipal treasurer and shall have the following powers, duties, and responsibilities:
  - 1. To give advice on matters concerning the investment of municipal funds, including the ATU Trust Fund, but excluding the municipality's deferred compensation plan funds.
    - a. At least annually, the commission shall review the municipality's investments and report to the mayor and assembly on the safety and appropriateness of the investments.
  - 2. To give advice on the MOA Trust Fund on:
    - a. Policies, procedures and responsibilities for financial reporting and investments for the prudent and productive investment of municipal funds in the best interest of the municipality and its citizens;
    - b. The process of selection, evaluation, retention, use, compensation and advice of financial and investment experts, consultants and managers with a view to minimizing costs and maximizing prudent and productive investment advice and management in the best interests of the municipality and its citizens;
    - c. Investments, investment strategies, economic and financial assumptions, asset allocation policies and prudent investment alternatives.
  - 3. To perform such other duties as the municipal treasurer may reasonably request or the assembly may designate from time to time.
- C. The sunset provisions in section 4.05.150 shall not apply to this commission.

(AO No. 95-46, § 1, 3-7-95; AO No. 99-50(S), § 2, 4-6-99; AO No. 99-156, § 2, 1-11-00; AO No. 2001-60, § 1, 3-27-01; AO No. 2004-67, § 1, 4-13-04; AO No. 2004-96, § 1, 6-8-04; AO No. 2011-64(S-1), § 4, 6-28-11)

**Section 5.05. - Chief fiscal officer.**

There shall be a chief fiscal officer appointed by the mayor and confirmed by the assembly. The chief fiscal officer serves at the pleasure of the mayor. The chief fiscal officer is the custodian of all municipal funds. The chief fiscal officer shall keep an itemized account of money received and disbursed, pay money on vouchers drawn against appropriations, and perform such other duties as the assembly by ordinance may prescribe.

**6.50.030 - Investment guidelines for Municipal Funds.**

**B. *Management of Municipal Funds.***

1. It is the policy of the Municipality to invest public funds in a manner that provides the highest investment return consistent with preservation of capital while meeting the daily cash flow demands of the Municipality.
2. Investment decisions shall be guided by this section, and the Operating Policy & Procedures for investment of Municipal funds, as modified from time to time by the Chief Fiscal Officer.
3. The Chief Fiscal Officer shall obtain the services of such investment managers, advisors, custodians and other professionals as are reasonably prudent and necessary to manage and invest all Municipal Funds.
4. The Chief Fiscal Officer shall solicit input from the Investment Advisory Commission members prior to the final selection of any service providers.
  - a. For an investment manager, advisor, custodian or other professionals contracted under the provisions of this section, assembly approval is not required;
  - b. The Chief Fiscal Officer shall report within 90 days to the Assembly, by Assembly Informational Memorandum, on contracts entered into pursuant to the provisions of this section including, but not limited to, the duties of be performed by the contractor and the compensation paid.
5. Restricted funds, whether subject to unrealized gains or losses or realized gains or losses, shall be deposited into separate and restricted alternative investments, bank accounts or other accounts which may be interest bearing and held by financial institutions for the benefit of the municipality, with all revenues and expenses associated with such funds allocated to such investments or accounts. Restricted funds may be co-mingled with other similarly restricted funds within the discretion of the chief fiscal officer.

**G. *Securities Lending.*** This type of program is permissible only if recommended by the Chief Fiscal Officer and approved by the Municipal Assembly.

**H. *Reporting.*** The Chief Fiscal Officer shall submit to the Assembly on an annual basis reports addressing Portfolio performance and compliance. The annual report shall address the use of investment consultants and external money managers, the use of derivatives, securities lending activities and bank lines of credit. The report shall also include compliance with the requirements regarding Portfolio diversification, maximum holdings by type of authorized investment, and Portfolio performance compared with Portfolio benchmarks.



## RVK Team Biographies



### **Jim Voytko – President, Director of Research, Senior Consultant, Principal**

Located in our Portland office, Jim serves as President, Director of Research, and as a Senior Consultant with RVK. He joined the firm in 2004 and has over 40 years of industry experience. As a Senior Consultant, Jim has worked with both public and corporate pension plans, foundations and endowments, and insurance funds.

A sought-after public speaker, Jim has delivered original presentations on various topics at numerous institutional investment conferences. He is involved in multiple aspects of RVK's specialty consulting practices, most notably Asset/Liability studies and Board governance/investment program structural reviews. Jim's research responsibilities are focused primarily on capital markets issues and investment decision-making. He has also provided testimony on pension, investment, and financial issues to multiple state legislatures and the US Senate as well as participated in drafting legislation at both the state and federal level.

Prior to joining RVK, Jim served as the CEO/Executive Director of Oregon's statewide pension system for all employees of state and local governments, police and fire, teachers and higher education, statewide retiree health care insurance program, and statewide 457 deferred compensation program. He also served on the five-member Oregon Investment Committee, which directed the investment of all statewide funds totaling approximately \$45 billion.

Jim's experience also includes serving as Director of Research for PaineWebber, CIO and Managing Director of PNC Asset Management Group/PNC Advisors, and the Deputy Director and Chief Operating Officer of PaineWebber's Investment Banking Division. Jim earned his BA degree from Carnegie Mellon University, a Master of Public Administration degree from the University of Washington, and Master of Public Policy degree from Harvard University. Jim is a shareholder of the firm and serves on the firm's Board of Directors.



### **Spencer Hunter – Senior Consultant, Principal**

Spencer joined RVK in 2008 and is located in our Portland office. In 2014, he was promoted to Consultant, in 2017, he was named Department Manager of our Associate Consultant/Investment Associate group, and in 2019, he was promoted to Senior Consultant.

Spencer's career at RVK has been focused on providing investment consulting advice to many of the firm's endowment and foundation, public fund, Taft Hartley, high-net-worth families, and corporate clients. His responsibilities include asset allocation and policy setting, investment manager research and due diligence, forward-looking capital market assumptions, asset class portfolio structuring, and many of the firm's internal research projects.

Spencer graduated cum laude from Linfield College with a BS degree in Finance. He is a shareholder and serves on the firm's Board of Directors.



**Cole Bixenman – Consultant, Principal**

Cole joined RVK in 2011 and is located in our Portland office. In his role as a Consultant, Cole provides investment consulting advice to a diverse client base including both public and corporate pensions, endowments, foundations, Taft-Hartley plans, insurance portfolios and a variety of both public and corporate defined contribution plans.

His responsibilities include asset allocation analyses, investment policy development, investment menu design, manager structure analyses, investment manager evaluation, managing transition and rebalancing of client portfolios, and client education presentations.

In addition to his role as a Consultant, he co-manages the Associate Consultant / Investment Associate group, managing the account loads as well as the group’s training and professional development. Cole graduated cum laude from Linfield College with a BS degree in Finance as well as a minor in Economics. He is a shareholder of the firm.



**Samia Khan, CFA – Consultant**

Samia is a Consultant located in our New York office. She has 15 years of institutional investment experience and serves a diverse client base, including defined benefit and defined contribution plan sponsors, as well as endowments & foundations. Her responsibilities include asset allocation, investment manager research, portfolio structuring, risk analyses, and client education presentations.

Prior to joining RVK, Samia worked as Senior Manager of Investment Management at PricewaterhouseCoopers (PwC), LLP. Her role involved overseeing \$16B of retirement assets of the staff and partners of PwC and managing relationships with all associated external and internal parties including the custodian bank, DC recordkeeper, legal counsel, actuary, investment consultants, and asset managers.

Samia received her BA degree in Economics and Mathematics from Bryn Mawr College. Additionally, she is a CFA Charterholder and a member of the CFA Society of New York.



**Eric Painting, CFA – Associate Consultant**

Eric joined RVK in 2018 and is based in Sacramento, California, supported by our Portland office. He serves a diverse client base, including public and corporate pensions, endowments, foundations, Taft-Hartley and defined contribution plans.

As a member of our consulting team, Eric works on a variety of projects including asset allocation studies, manager structure analyses, investment manager evaluation, client education presentations, and portfolio rebalancing.

Eric graduated with honors from the University of California Davis, with a BA in Economics and Applied Statistics. He also holds the Chartered Financial Analyst (CFA) designation.

**Jessica Goodall – Senior Executive Assistant**

Jessica joined RVK in 2018 as a Senior Executive Assistant. She has over a decade of administrative experience, with recent roles including Special Project Assistant to the executives of Carondelet Health Network and Executive Assistant to the VP of Human Resources at Harvard University.

Jessica holds a Master of Arts in Professional Writing from New England College as well as a BA in English from Central Washington University.

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