

Submitted by: Chair of the Assembly at
the Request of Mayor
Prepared by: Finance Department
For Reading: May 24, 2011

CLERK'S OFFICE

APPROVED

Date: 6-14-11

ANCHORAGE, ALASKA
AR No. 2011-152

1 A RESOLUTION OF THE MUNICIPALITY OF ANCHORAGE APPROPRIATING
2 SEVEN HUNDRED THOUSAND DOLLARS (\$700,000) FROM INTEREST
3 EARNINGS WITHIN THE MOA TRUST FUND (730) FOR EXPERT FINANCIAL
4 MANAGEMENT AND SUPPORT SERVICES PROVIDED IN CALENDAR YEAR
5 2011.

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7
8 The Anchorage Assembly resolves:

9
10 Section 1. That the sum of Seven Hundred Thousand Dollars (\$700,000) is hereby
11 appropriated from interest earnings within the MOA Trust Fund (730) for expert
12 financial management and support services provided in calendar year 2011.

13
14 Section 2. That this resolution shall take effect immediately upon approval.

15
16 PASSED AND APPROVED by the Assembly this 14th day of June, 2011.

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19
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21 Ernie Hall
Vice Chair

22 ATTEST:

23
24
25 Salma S. Gonsky
26
27 Municipal Clerk

28
29 Departmental appropriation:
30 Finance Department \$700,000



MUNICIPALITY OF ANCHORAGE

ASSEMBLY MEMORANDUM

No. AM 317-2011

Meeting Date: May 24, 2011

1 **FROM:** Mayor

2
3 **SUBJECT:** Appropriating \$700,000 from Interest Earnings within the MOA Trust
4 Fund (Fund 730) for Expert Financial Management and Support
5 Services provided in Calendar Year 2011

6 The Administration requests approval of the Assembly Resolution appropriating an
7 amount not-to-exceed \$700,000 from the MOA Trust Fund (730) for financial
8 management and support services provided in calendar year 2011.
9

10 AMC 6.50.060.A. Definitions (i.e., fund expenses) states:

11
12 *Fund Expenses means incurred expenses which are reasonably prudent and*
13 *necessary to manage and invest the assets of the pooled trusts, including all fees*
14 *charged by external service providers such as investment managers, advisors,*
15 *custodians and other professionals, and also including MOA's internal direct and*
16 *indirect expenses incurred in providing administrative and oversight services for the*
17 *benefit of the pooled trusts. Fund expenses are funded by annual earnings and are*
18 *allocated to the pooled trusts on a pro-rata basis.*
19

20 AMC 6.50.060.D1. Management of the Pooled Funds states:

21
22 *The municipal treasurer shall hire the services of such investment managers,*
23 *advisors, custodians and other professionals as are reasonably prudent and*
24 *necessary to manage and invest the assets of the pooled trusts.*
25

26 The MOA Trust Fund is the single remaining fund. The other portion of the "pooled
27 trusts" (i.e., the MOA Trust Reserve) was extinguished in 2004. Diversification is
28 provided through the establishment of multiple portfolios invested in various areas of the
29 market (i.e., Broad Fixed Income, Treasury Inflation-Protected Securities (TIPS), Large
30 Cap Growth, Large Cap Value, S&P 500 Index, International Equity, Small Cap Equity,
31 Mid Cap Index and Real Estate). The income from the Trust is used to pay all of the
32 fees for services rendered by investment managers.
33

34 The MOA Trust Fund's money managers are paid a management fee based on a
35 quoted fee multiplied by the MOA Trust Fund's market value at the end of each
36 calendar quarter. Money managers are rewarded for increasing the MOA Trust Fund's
37 value and penalized for decreased market value using this system of compensation
38 rather than a flat compensation method.
39

The Investment Advisory Commission reviews the performance of each of the MOA Trust Fund's money managers quarterly using information and reports provided by the Treasurer and the Investment Consultant (Callan Associates). The Investment Advisory Commission finds the money managers' performance to be satisfactory and they do not recommend any changes to the current line-up of money managers at this time.

In the prior year (2010), the Municipality appropriated \$700,000 for management fees and paid approximately \$610,000 in actual costs, including estimated imputed fees from mutual fund portfolios as well as intergovernmental charges. In 2011, the required expenditure authority to cover fund management costs is proposed to stay the same at \$700,000. The proposed 2011 appropriation amount assumes as much as a 15% increase in market value over the December 31, 2010 level. Expenses incurred will depend on actual market results and portfolio fees charged by managers throughout 2011. This appropriation request represents a not-to-exceed amount.

Below is an approximate breakdown of the anticipated investment management and support service costs related to management of the MOA Trust Fund in year 2011:

• Fixed Income + TIPS Fund	\$ 89,000	} \$700,000
• Real Estate Portfolio	\$ 60,000	
• Various Equity Funds	\$425,000	
◦ Including: Domestic Large Cap , S&P 500 Index, S&P 500 & Midcap Indices, Small Cap, Int'l Lg Cap		
• Financial Advisor	\$ 53,000	
• Fund Custodian	\$ 13,000	
• Intergovernmental Charges	\$ 60,000	

The expense levels paid by the MOA Trust Fund are in line with other, similarly-sized endowment and pension funds nationwide which use professional investment management services.

An Assembly Information Memorandum regarding the MOA Trust Fund's financial performance for 2010 is expected to be submitted simultaneous with this Assembly Resolution.

The accounting detail is as follows:

REVENUE

<u>Account Number</u>	<u>Account Name</u>	<u>Amount</u>
730-1348-9765-BP2011	Other Interest Income	\$700,000

EXPENSE

<u>Account Number</u>	<u>Account Name</u>	<u>Amount</u>
730-1348-3103-BP2011	Manager & Custodian Fee	\$700,000

1 THE ADMINISTRATION RECOMMENDS APPROVAL OF THE ASSEMBLY
2 RESOLUTION APPROPRIATING FUNDS FOR ANTICIPATED EXPENSES
3 ASSOCIATED WITH MANAGEMENT OF THE MOA TRUST FUND.
4
5

6 Prepared by: Daniel Moore, Municipal Treasurer

7 Concurrence & Fund Certification: Lucinda Mahoney, CFO

8 730-1348-9765-BP2011 – \$700,000

9 Concurrence: George J. Vakalis, Municipal Manager

10 Respectfully submitted: Daniel A. Sullivan, Mayor

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A RESOLUTION OF THE MUNICIPALITY OF ANCHORAGE APPROPRIATING SEVEN HUNDRED THOUSAND DOLLARS (\$700,000) FROM INTEREST

Title: EARNINGS WITHIN THE MOA TRUST FUND (730) FOR EXPERT FINANCIAL MANAGEMENT AND SUPPORT SERVICES PROVIDED IN CALENDAR YEAR 2011.**Author:** maglaquijp**Initiating Dept:** Finance**Keywords:** Trust Fund, Financial Management, 2011, Fund 730**Date Prepared:** 5/11/11 9:34 AM**Director Name:** Lucinda Mahoney**Assembly Meeting Date:** 5/24/11**Public Hearing Date:** 6/14/11

Workflow Name	Action Date	Action	User	Security Group	Content ID
Clerk_Admin_SubWorkflow	5/13/11 11:27 AM	Exit	Joy Maglaqui	Public	010216
MuniManager_SubWorkflow	5/13/11 11:27 AM	Approve	Joy Maglaqui	Public	010216
MuniManager_SubWorkflow	5/13/11 11:18 AM	Checkin	Joy Maglaqui	Public	010216
OMB_SubWorkflow	5/13/11 11:12 AM	Approve	Cheryl Frasca	Public	010216
Finance_SubWorkflow	5/11/11 4:29 PM	Approve	Lucinda Mahoney	Public	010216
Finance_SubWorkflow	5/11/11 1:47 PM	Checkin	Nina Pruitt	Public	010216
FundsAppropWorkflow	5/11/11 9:36 AM	Checkin	Nina Pruitt	Public	010216