

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 over the 20 consecutive quarters ending March 31 of each fiscal year. During 2004 the average asset balance will be based on the 19 quarters ended March 31, 2004.

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; and
 - b. Proceeds allocated from the police and fire retirement system settlement.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. The five percent cap is tied to an endowment method whereby long-term capital market projections for average annual investment return are netted against projected inflation (e.g., in January 2001 capital market projections indicated an 8.25 percent average annual investment return less 3.25 percent average annual inflation, for a projected "net" average annual rate of return of five percent over the next five years).
- 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, 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. Five percent (5%) 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. Five percent (5%) 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 fund of funds, 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)