

City of Fairbanks
Permanent Fund Review Board
(Quarterly Meeting Minutes)
July 19, 2017

The Permanent Fund Review Board (PFRB) convened at 1:30 P.M. on the above date in the Council Chambers to conduct a quarterly meeting with the following board members in attendance.

Board Members Present: Council Member Valerie Therrien
Patty Mongold
Jennifer Imus
Jeff Johnson
Dave Owen

Also Present: Carmen Randle, Chief Financial Officer
Paul Ewers, City Attorney
Blake Phillips, Director of Institutional Sales-APCM
Margarita Bell, City Controller

The board unanimously approved the May 4, 2017 minutes after inserting the words “per annum” in the second sentence of the second paragraph on page two. The sentence now reads “She reported the portfolio was up 3.13% year-to-date, and 5.36% per annum since inception.”

Carmen reviewed the account’s performance through June 30, 2017:

- \$126,986,962 - March 31, 2017 balance including accrued income
- \$ 1,641,590 - Dividend and interest earnings
- \$ 4,273,934 - Realized gain
- \$ 1,361,802 - Unrealized gains
- \$ 44,618 - Management and custodial fees
- \$ 7,311,221 - 2017 Earnings - net of expenses

Carmen reported the City deposits into the Permanent Fund consist of the Golden Heart Utility (GHU) lease payment of \$396,900, and \$13,486 of receipts on outstanding G2 and G3 notes. In addition, the City transferred \$250,000 to the permanent fund in May 2017.

The 2017 draw is expected to be made in December 2017. The budgeted appropriations to the general and capital funds are shown below, respectively:

- 2017 \$4,625,478 and \$578,185

During the May PFRB meeting, Blake indicated that the City’s investment policy has no reference of a small cap index even though there is a specific target for small cap equity of two percent. Sections 2-260 (b) and 2-261 (c) of the investment policy should be amended to reflect the small cap index. Brandy indicated that Section 2-261 (c) should also be amended to reflect how the Cash/1-3 month treasuries will be measured against the target weighting using the Citigroup 3 month Treasury Bill Index as the benchmark.

To address these concerns, Ordinance 6058 was drafted to update Sections 2-260 and 2-261 with Standard & Poor’s SmallCap 600 Index language. In addition, Section 2-261 was updated to indicate how cash/1-3 month Treasuries will be measured against the Target weighting using the Citigroup 3 month Treasury Bill index as a benchmark

Jennifer moved to approve the changes in the investment policy and Valerie seconded. The PFRB agreed unanimously. Ordinance 6058, amending the investment policy, is scheduled to be adopted by the Fairbanks City Council on August 21, 2017.

Reported Performance							
2nd Quarter		Year to Date		Last 12 Months		Inception to Date	
Account	Benchmark	Account	Benchmark	Account	Benchmark	Account	Benchmark
2.43%	2.43%	5.94%	5.88%	7.56%	7.60%	5.42%	5.08%
	0.13% ¹		0.50% ²		0.50% ²		
<u>2.43%</u>	<u>2.56%</u>	<u>5.94%</u>	<u>6.38%</u>	<u>7.56%</u>	<u>8.10%</u>	<u>5.42%</u>	<u>5.08%</u>

1 12.5 bps - per quarter rounded
2 50 bps hurdle -annual
3 50 bps hurdle codified in March, 2009. Inception performance begins January 31, 1998.

Blake reviewed the account summary and market outlooks with the PFRB. He noted that the P/E ratio for the S&P 500 is modestly above the 25 year average. Interest rates are near all-time lows and inflation remains muted, which supports higher stock prices. APCM thinks stocks are still attractive relative to the bonds. Continued earnings growth is key to supporting stock prices at the current level.

Jason reported the fund value was \$128,307,805 on July 18, 2017. The portfolio performance resulted in a 5.94% year-to-date return and a 2.43% e second quarter return. The combined equity allocation returned 3.25% while the fixed income allocation returned 1.05%

The PFRB set the next quarterly meeting for Wednesday October 19, 2017 at 1:30 P.M. The meeting will be located in the FMATS conference room

The PFRB meeting adjourned at approximately 2:25 P.M.

Minutes will be placed on the October 18, 2017 agenda for approval.