

City of Fairbanks
Permanent Fund Review Board
Quarterly Meeting Minutes
October 25, 2023

The Permanent Fund Review Board (PFRB) convened at 1:32 p.m. in the City Council Chambers to conduct a quarterly meeting.

Board Members Present: Chair Patty Mongold
Vice Chair Bernard Gatewood
Board Member Dave Owen (online)
Council Member John Ringstad

Board Member Absent: Board Member Jennifer Imus

Also Present: Margarita Bell, Chief Financial Officer
Blake Phillips, Director of Institutional Solutions - APCM
Brandy Niclai, Chief Investment Officer – APCM (online)
Bill Lierman, Chief Investment Officer – APCM (online)

Bernard Gatewood moved, and John Ringstad seconded to approve the minutes from the July 12, 2023 meeting. The PFRB unanimously agreed.

Margarita Bell reviewed the account's performance through September 30, 2023:

- \$ 136,289,815 - Balance including accrued income
- \$ 2,163,213 - Dividends and interest earnings
- \$ 1,204,243 - Realized gain
- \$ 1,841,199 - Unrealized gain
- \$ (69,420) - Management and custodial fees
- \$ 5,139,235 - Earnings, net of expenses

Margarita Bell reported that the 2023 draw will be made in December 2023 in the amount of \$6,171,150 to the general fund (\$5,485,467) and capital fund (\$685,683). Bernard Gatewood questioned the difference from the prior quarter. Margarita Bell reported that the amount reflected on the agenda was changed to the final audit amount.

Blake Phillips reported that the balance of the fund was \$133,816,121.54 on October 25, 2023. He introduced Bill Lierman and stated that he would be presenting information about fixed income interest rates.

Brandy Niclai presented a market review. She reported that the economy in the United States is stronger and that policy makers are targeting a 2% inflation rate resulting in higher interest rates. Bill Lierman reported that inflation is still high and demand and supply for fixed income asset classes due to higher interest rates are impacting equities. Brandy Niclai reported that risk asset classes increased the quality of the portfolio by lessening the impact of an economic slowdown. Brandy Niclai presented four key benefits of the portfolio as follows: (1) navigate economic resilience by targeting specific asset classes; (2) diversified fixed income exposure; (3) focused quality of stock exposure; and (4) maintained customized investment strategy.

Brandy Niclai presented a portfolio review for the third quarter. The combined equity allocation returned -3.04% and the combined fixed income allocation returned -2.04% for the quarter.

Portfolio Summary							
3rd Quarter		Year to Date		Prior Year		Inception to Date	
Account	Benchmark	Account	Benchmark	Account	Benchmark	Account	Benchmark
-2.80%	-2.80%	-4.00%	-4.70%	-13.26%	-13.54%	5.30%	5.10%
	0.13% ¹		0.38% ²		0.50% ³		
-2.80%	-2.68%	-4.00%	-4.33%	-13.26%	-13.04%	5.30%	5.10%

1 - 12.5 bps - per quarter rounded
2 - 50 bps hurdle -annual (YTD = 12.5 basis pts X # quarters)
3 - 50 bps hurdle codified in March 2009. Inception performance begins January 31, 1998.

John Ringstad inquired about the benchmark and Blake Phillips stated that benchmarks are based on the City investment strategies.

Brandy Niclai reported that APCM increased the portfolio exposure to high quality stocks within US Mid Cap equities. She stated that research indicates that high quality stocks tend to deliver significant excess returns when the economy slows.

John Ringstad stated that the Council had discussions about seeking a higher return. Bernard Gatewood stated that additional risk in the portfolio may result in losses. Blake Phillips stated that the portfolio is structured to meet the goals of the fund. Patty Mongold stated that the board made several changes over the last five years to improve returns. John Ringstad stated that half of the Council are new and has been in service for a year. Blake Phillips stated that APCM will present historical information about the permanent fund at the next Council work session.

Dave Owens expressed concerns about the portfolio annual return of 5.29% with a long term need of 7.4%. Brandy Niclai reported that there are periods when inflation was less than the target. She stated that she will present a brief presentation regarding the goal and how the strategies meet the goal at the next Council work session.

John Ringstad reported that the Finance Committee developed a 5-Year Financial Projections and discussed the future needs of the City. Brandy Niclai inquired if information from the strategic plan was used in the projections. Margarita Bell confirmed that the information was used. Blake Phillips stated that APCM wants to provide the best information and will present an understanding of the goals and strategies at the Council work session.

APCM report indicated that there were no compliance issues.

The next quarterly meeting will be held on January 22, 2024 in the City Council Chambers followed by a work session with the Council. Chair Patty Mongold will not be present and requested that Vice Chair Bernard Gatewood chair the meeting.

The meeting was adjourned at 2:34 p.m.