

City of Fairbanks
Permanent Fund Review Board
(Quarterly Meeting Minutes)
July 24, 2018

The Permanent Fund Review Board (PFRB) convened at 1:30 P.M. in the Chief Financial Officer's office to conduct a quarterly meeting with the following board members in attendance.

Board Members Present: Council Member Valerie Therrien
Patty Mongold
Dave Owen
Bernard Gatewood

Also Present: Carmen Randle, Chief Financial Officer
Brandy Nicoli, Chief Investment Officer-APCM
Blake Phillips, Director of Institutional Sales-APCM

Dave motioned and Bernard seconded to approve the April 25, 2018 minutes with the attachment of the "APCM VIEWS" document.. The PFRB unanimously agreed.

Carmen reviewed the account's performance through June 30, 2018:

- \$131,311,433 - Balance including accrued income
- \$ 1,522,463 - Dividend and interest earnings
- \$ 1,471,365 - Realized gain
- \$ (2,487,913) - Unrealized loss
- \$ 52,285 - Management and custodial fees
- \$ 452,310 - 2017 Earnings - net of expenses

Brandy reported that the balance of the fund was \$132,886,479 on July 23, 2018.

The 2018 draw is expected to be made in December 2018. The budgeted appropriations to the general and capital funds are shown below, respectively:

- 2018 \$4,815,487 and \$601,936

Reported Performance							
2nd Quarter		Year to Date		Last 12 Months		Inception to Date	
Account	Benchmark	Account	Benchmark	Account	Benchmark	Account	Benchmark
1.30%	1.85%	0.32%	0.78%	7.18%	7.51%	5.51%	5.20%
	0.13% ¹		0.13% ²		0.50% ³		
<u>1.30%</u>	<u>1.98%</u>	<u>0.32%</u>	<u>0.91%</u>	<u>7.18%</u>	<u>8.01%</u>	<u>5.51%</u>	<u>5.20%</u>

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.

Brandy reported the portfolio performance resulted in a 1.3% 2nd quarter return, which was less than the 1.85% benchmark. The combined equity allocation returned 2.16% while the fixed income allocation returned -.07%. Page 9 of the quarterly *Investment Review* reports “Long-term, the global cyclical upturn in growth will be challenged by high debt levels (235% of GDP) and deteriorating demographics. Productivity growth could improve this outlook should relevant cyclical forces provide a boost.” The portfolio should “continue towards neutral as the cycle matures, be biased toward quality on corporate credit, rebalance regularly to harvest gains and control risk, and expect modest returns for the remainder of the year.” In summary, the mid-year outlook is cautiously optimistic.

There were no compliance issues to report during the quarter.

The PFRB discussed the changes to the investment policy drafted by Blake. Brandy will draft a benchmark performance measure to use for the new section 2-260(16). The PFRB suggested changing the Alternatives Overall asset classification to a 0-20% range instead of a 0-25% range and limiting the specific asset classes within the alternatives to a 0-10% range.

The PFRB set a special meeting to continue discussing the changes to the investment policy on August 22, 2018 at 1:30 pm in the City Council Chambers.

The next quarterly meeting was set for Wednesday October 17th at 2:00 pm in the Council Chambers.

The meeting adjourned at 3:30 p.m.

Minutes will be placed on the August 22, 2018 agenda for approval.