

**POLICIES AND PROCEDURES APPLICABLE
TO THE TREASURY DIVISION,
DEPARTMENT OF REVENUE,
STATE OF ALASKA**



APPENDIX BJ

**Alaska Retirement Management Board Policy
Relating to Direct Mortgages**

State of Alaska
ALASKA STATE PENSION INVESTMENT BOARD
Relating to Direct Mortgages

Resolution 97-3

WHEREAS, the Alaska State Pension Investment Board (Board) was established by law to provide prudent and productive management and investment of certain trust or other State funds; and

WHEREAS, the Board contracts with an independent consultant to provide experience and expertise in asset allocation and other investment matters to come before the Board; and

WHEREAS, the Public Employees' Retirement System, Teachers' Retirement System, Judicial Retirement System and Alaska National Guard and Naval Militia Retirement System require that investment objectives and policy be established consistent with AS 14.25.180; and

WHEREAS, AS 14.25.180 requires that the Board shall consider the status of the investments and liabilities of the systems on both a current and a probable future basis; and

WHEREAS, AS 14.25.180 requires that the Board determine the appropriate investment objectives for the fund as defined therein; and

WHEREAS, AS 14.25.180 requires that the Board act only in regard to the best financial interests of the systems' beneficiaries; and

WHEREAS, the Board has established an asset allocation for the funds that considers earnings and liabilities on a current as well as a future basis; and

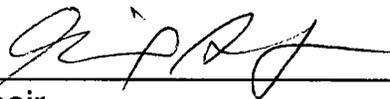
WHEREAS, the Board has not authorized new investments in direct mortgages; and

WHEREAS, the Board will establish and from time to time as necessary, modify investment guidelines for existing direct mortgages.

ALASKA STATE PENSION INVESTMENT BOARD
Relating to Direct Mortgages
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NOW THEREFORE BE IT RESOLVED THAT THE ALASKA STATE PENSION INVESTMENT BOARD adopt the attached Investment Guidelines for Existing Direct Mortgages, attached hereto and made a part hereof, regarding investment in real estate assets.

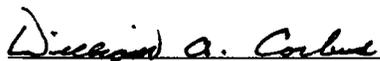
DATED at Juneau, Alaska this 7th day of February,
1997.



Chair

[SEAL]

ATTEST:



Secretary

ALASKA STATE PENSION INVESTMENT BOARD

INVESTMENT GUIDELINES FOR EXISTING DIRECT MORTGAGES

- A. Purpose.** Alaska State Pension Investment Board (ASPIB) accepted fiduciary responsibility for the Alaska State Public Employees' and Teachers' Retirement Systems (Fund) assets effective July 1, 1993. A portion of the Fund's assets were invested in direct mortgages. The direct mortgage program was in the process of being liquidated. ASPIB resolved to continue to prudently manage, consolidate servicing, and liquidate the existing direct mortgage portfolio.
- B. Investment Structure.** No further direct mortgage loans are to be made. The prudent management, consolidation of servicing, and liquidation process will be administered by the Department of Revenue, Treasury Division (manager), as manager of the existing direct mortgage portfolio owned by the Funds. Any material deviation from guidelines relating to the liquidation process shall require advance formal approval from the ASPIB.
- C. Guidelines for Management, Consolidation of Servicing, and Liquidation.** The following guidelines shall be applied in a fashion which encourages an orderly and prudent management, consolidation of servicing, and liquidation of assets in the existing direct mortgage portfolio:
1. Real estate owned. Currently-owned real estate and real estate acquired through foreclosure or other process will be sold in an orderly and prudent manner.
 2. Acquisition of mortgage real estate. The manager shall exercise the choices of nonjudicial or judicial foreclosure or the acceptance of a deed in lieu of foreclosure on mortgage property in a fashion that prudently preserves value, recognizes risks of contamination, and has, as a strategy, the liquidation of the portfolio as prescribed.
 3. Contaminated real property. Contamination will be remediated and/or an indemnification will be given to the Fund by the buyer to minimize future liability. Discretion will be exercised with respect to remediating property which might become owned by the portfolio through foreclosure or other process but is not yet within the portfolio as real estate owned.
 4. Judgment. All appropriate methods will be used to reduce to judgments, deficiencies in debt owed and to collect current and future judgments awarded; provided that the manager may exercise reasonable prudence with respect to decisions to accept discounted, structured or other payment means in the settlement of judgments outstanding only upon a careful review of the likelihood of obtaining full recovery and the goal of liquidation of the portfolio.

ALASKA STATE PENSION INVESTMENT BOARD
INVESTMENT GUIDELINES FOR EXISTING DIRECT MORTGAGES

C. Guidelines for Management, Consolidation of Servicing, and Liquidation.
(Continued:)

5. Delinquent loans. The manager will exercise prudent efforts to recover the maximum amount reasonably possible on delinquent loan principal balances employing, where necessary and practicable, pragmatic loan modifications or choices among foreclosure remedies.
6. Current loans. The manager will exercise maximum efforts to maintain the highest possible performance on all outstanding loans. When possible the mortgagor will be advised of alternatives for possible debt consolidation and refinance avenues to expedite payoff.

D. Reporting.

1. Monthly. The manager will provide a monthly mortgage portfolio status report to the chief investment officer.
2. Semi-Annually. At least twice a year, the manager will provide a mortgage portfolio status report to the ASPIB.