

**ALASKA RETIREMENT MANAGEMENT BOARD**

**Invested Assets**

**June 30, 2020**

**(With Independent Auditors' Report Thereon)**

**ALASKA RETIREMENT MANAGEMENT BOARD**

**Invested Assets**

**June 30, 2020**

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KPMG LLP  
Suite 600  
701 West Eighth Avenue  
Anchorage, AK 99501

## Independent Auditors' Report

Alaska Retirement Management Board and  
State of Alaska Department of Revenue  
Treasury Division:

We have audited the accompanying schedules of the State of Alaska Retirement and Benefit Plans Invested Assets (the Plans) as of June 30, 2020, and of investment income and changes in investment assets of the Plans for the year then ended, and the related notes to the schedules (collectively referred to as "the Schedules").

### **Management's Responsibility for the Schedules**

Management is responsible for the preparation and fair presentation of the Schedules in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of the Schedules that are free from material misstatement, whether due to fraud or error.

### **Auditors' Responsibility**

Our responsibility is to express an opinion on the Schedules based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the Schedules are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the Schedules. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the Schedules, whether due to fraud or error. In making those risk assessments, the auditors consider internal control relevant to the entity's preparation and fair presentation of the Schedules in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the Schedules.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### **Opinion**

In our opinion, the Schedules referred to above present fairly, in all material respects, the invested assets of the Plans as of June 30, 2020, and the results of their investment income and changes in invested assets for the year then ended, in accordance with U.S. generally accepted accounting principles.

### **Emphasis of Matter**

We draw attention to note 1 to the Schedules, which describes that the accompanying Schedules were prepared to present the invested assets of the Plans and changes therein. The presentation of the Schedules is not intended to be a complete presentation of the financial status of the Plans.

**KPMG LLP**

October 28, 2020

**ALASKA RETIREMENT MANAGEMENT BOARD**  
**SCHEDULE OF INVESTED ASSETS**  
**June 30, 2020**

	Pooled Investments	Participant Directed Investments	Total ARMB Assets
<b>Investments (at Fair Value)</b>			
Cash and Cash Equivalents	\$ 244,668,007	-	244,668,007
Fixed Income Securities	5,822,185,048	-	5,822,185,048
Broad Domestic Equity	7,323,474,250	-	7,323,474,250
Global Equity Ex-U.S.	5,053,591,723	-	5,053,591,723
Opportunistic	1,458,484,317	-	1,458,484,317
Private Equity	3,308,363,525	-	3,308,363,525
Real Assets	3,619,768,238	-	3,619,768,238
Participant Directed	-	6,430,622,243	6,430,622,243
Synthetic Investment Contracts (at contract value)	-	770,806,831	770,806,831
Securities Lending Collateral Invested	34,434,542	-	34,434,542
Securities Lending Collateral Payable	(34,434,542)	-	(34,434,542)
<b>Total Invested Assets</b>	<b>\$ 26,830,535,108</b>	<b>7,201,429,074</b>	<b>34,031,964,182</b>

**ALASKA RETIREMENT MANAGEMENT BOARD**  
**SCHEDULE OF INVESTMENT INCOME AND CHANGES IN INVESTED ASSETS**  
**June 30, 2020**

	Pooled Investments	Participant Directed Investments	Total ARMB Assets
<b>Investment Income (Loss)</b>			
Cash and Cash Equivalents	\$ 4,263,434	-	4,263,435
Fixed Income Securities	441,831,748	-	441,831,748
Broad Domestic Equity	279,055,140	-	279,055,140
Global Equity Ex-U.S.	(123,624,559)	-	(123,624,559)
Opportunistic	(657,823)	-	(657,823)
Private Equity	402,817,944	-	402,817,943
Real Assets	83,647,026	-	83,647,026
Participant Directed	-	297,228,890	297,228,890
Synthetic Investment Contracts (at contract value)	-	17,440,254	17,440,254
Securities Lending Income	1,077,876	-	1,077,876
Less: Securities Lending Expense	(215,278)	-	(215,278)
Net Securities Lending Income	862,597	-	862,597
<b>Total Investment Income</b>	<b>\$ 1,088,195,507</b>	<b>314,669,144</b>	<b>1,402,864,651</b>
<b>Total Invested Assets, Beginning of Year</b>	<b>26,720,672,992</b>	<b>6,830,051,251</b>	<b>33,550,724,243</b>
Total Contributions	1,066,578,708	464,177,903	1,530,756,611
Total (Withdrawals)	(2,044,912,099)	(407,469,224)	(2,452,381,323)
<b>Total Invested Assets, End of Year</b>	<b>\$ 26,830,535,108</b>	<b>7,201,429,074</b>	<b>34,031,964,182</b>

See accompanying notes to Schedules

# Alaska Retirement Management Board

## Invested Assets

### Notes to Schedules

June 30, 2020

#### (1) THE ACCOUNTING ENTITY

The Alaska Retirement Management Board (Board) is the investment oversight authority for the State of Alaska's Retirement and Benefits Plans (Plans). These Plans are made up of six systems: the Public Employees' Retirement System (PERS), Teachers Retirement System (TRS), Judicial Retirement System (JRS), National Guard and Naval Militia Retirement Systems (MRS), Supplemental Benefits System (SBS), and Deferred Compensation Plan (DCP). The systems comprise a mix of individual Defined Benefit and Defined Contribution Retirement Plans. These schedules of invested assets and of investment income and changes in invested assets (the Schedules) are those of the six systems' invested assets and not the systems as a whole. Fiduciary responsibility for the Board's Invested Assets is pursuant to Alaska Statutes 37.10.210-390.

Alaska Statute 37.10.071 provides that investments shall be made with the judgment and care under circumstances then prevailing that an institutional investor of ordinary professional prudence, discretion and intelligence exercises in managing large investment portfolios.

#### (2) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

##### Basis of Accounting

The Schedules are prepared using the accrual basis of accounting for investment income. Investment income includes realized and unrealized gains and losses and interest income on investments and income from securities lending. Assets are reported at fair value. Investment purchases and sales are recorded on a trade-date basis. Contributions represent contributions from employers and employees. Withdrawals represent benefits paid to plan participants and administrative and investment management expenses. Contributions, benefits paid and all expenses are recorded on a cash basis.

Investments in collective investment funds and pooled investment funds are stated at fair value based on the unit value multiplied by the number of units held by the Plan. The unit value is based on the fair value of the underlying assets.

##### *Valuation of Synthetic Investment Contracts (SICs)*

The Plan's investments in fully benefit-responsive SICs are stated at contract value.

##### Investments and Related Policies

##### **Carrying value of investments**

Securities are valued each business day using prices obtained from a pricing service when such prices are available; otherwise, such securities are valued at the most current sale price or based on a valuation provided by investment managers. Fair values of investments that have no readily determinable fair value are generally reported by using the net asset value per share (or its equivalent) of the investment. Pooled participant directed accounts and the collective investment funds are valued based on a unit value determined by the managers or trustees multiplied by the total units held by the Plan. The unit value is determined by the respective managers or trustees based on the fair value of the underlying assets.

#### (3) FAIR VALUE MEASUREMENTS

Various inputs are used in valuing the investments held by the Board. U.S. generally accepted accounting principles (GAAP) establishes a hierarchy of inputs used to value investment emphasizing observable inputs and minimizing unobservable inputs. These inputs are summarized as follows:

Level 1 – Quoted prices for identical assets in an active market.

Level 2 – Inputs, other than quoted prices, that are observable for the asset, either directly or indirectly.

Level 3 – Unobservable inputs. Unobservable inputs should only be used to the extent that observable inputs are not available for a particular asset.

# Alaska Retirement Management Board

## Invested Assets

### Notes to Schedules

June 30, 2020

#### (3) FAIR VALUE MEASUREMENTS (Cont.)

The Board categorizes fair value measurements within the fair value hierarchy established by GAAP. The Board has the following fair value measurements at June 30, 2020 (in thousands):

Investments by fair value level	Total	Level 1	Level 2	Level 3
<b>Cash Equivalents</b>				
Certificate of Deposit	\$ 1,429	-	1,429	-
Commingled Institutional Cash Funds	640	-	640	-
Deposits	33,203	33,203	-	-
Money Market	216,493	-	216,493	-
Repurchase Agreement	61,736	61,736	-	-
<b>Total Cash Equivalents</b>	<b>313,501</b>	<b>94,939</b>	<b>218,562</b>	<b>-</b>
<b>Debt Securities</b>				
Commingled Debt Funds	1,517,126	-	1,517,126	-
Corporate Bonds	1,395,347	-	1,395,347	-
Mortgage Backed	1,006,836	-	1,006,836	-
Other Asset Backed	246,573	-	234,406	12,167
U.S. Government Agency	34,579	-	34,579	-
U.S. Treasury Bills, Notes, and Bonds	1,147,672	-	1,147,672	-
Yankee Corporate Bonds	380,880	-	380,880	-
Yankee Government Bonds	63,559	-	63,559	-
<b>Total Debt Securities</b>	<b>5,792,572</b>	<b>-</b>	<b>5,780,405</b>	<b>12,167</b>
<b>Equity</b>				
Commingled Equity Funds	4,709,963	4,709,963	-	-
Common and Preferred Equity	9,964,230	9,963,918	5	307
Depository Receipts	203,208	203,208	-	-
Futures	589	589	-	-
Real Estate Inv Trust	660,328	660,328	-	-
Rights	304	304	-	-
Warrants	21,930	21,930	-	-
<b>Total Equity</b>	<b>15,560,552</b>	<b>15,560,240</b>	<b>5</b>	<b>307</b>
<b>Other</b>				
Balanced Funds	1,888,349	-	1,888,349	-
Target Date Funds	1,990,770	-	1,990,770	-
Securities Lending Collateral Invested	34,435	-	34,435	-
<b>Total Other</b>	<b>\$ 3,913,554</b>	<b>-</b>	<b>3,913,554</b>	<b>-</b>
<b>Total investments by fair value level</b>	<b>25,580,179</b>	<b>15,655,179</b>	<b>9,912,526</b>	<b>12,474</b>
<b>Investments measured at NAV</b>				
Alternative Beta	302,767			
Alternative Fixed Income	824,855			
Energy	66,568			
Farmland	882,292			
Infrastructure	663,209			
Private Equity	3,302,119			
Real Estate	1,354,502			
Timber	\$ 357,477			
<b>Total Investments measured at NAV</b>	<b>7,753,789</b>			
<b>Total Investments measured at fair value</b>	<b>33,333,968</b>			
Synthetic Investment Contracts at contract value	\$ 770,807			
Net Receivables / (Payables)	(72,811)			
<b>Total Invested Assets</b>	<b>34,031,964</b>			

# Alaska Retirement Management Board

## Invested Assets

### Notes to Schedules

June 30, 2020

#### (3) FAIR VALUE MEASUREMENTS (Cont.)

Securities classified as level 1 are valued using prices quoted in active markets for those securities. Securities classified as level 2 are valued using matrix pricing. Each balanced and target date options classified as level 2 are priced daily by the investment managers based on the prevailing market values of the underlying security portfolios. Pricing is sourced from various sources. Securities classified as level 3 are valued using the last traded price or a price determined by the investment manager's valuation committee.

Investments in alternative beta, alternative fixed income, energy, farmland, infrastructure, private equity, real estate, and timber are measured at net asset value (NAV) with additional information listed in the following table (in thousands).

	<u>Fair Value</u>	<u>Unfunded Commitments</u>	<u>Redemption Frequency (if currently available)</u>	<u>Redemption Notice Period</u>
Alternative Beta	302,767	-	N/A	N/A
Alternative Fixed Income	824,855	390,586	Quarterly	2-90 days
Energy	66,568	32,968	No redemptions	No redemptions
Farmland	882,292	-	N/A	N/A
Infrastructure	663,209	-	Quarterly	30-90 days
Private Equity	3,302,119	1,541,977	No redemptions	No redemptions
Real Estate	1,354,502	212,592	Varied	Varied
Timber	357,477	-	N/A	N/A
Total investments measured at the NAV	<u>\$ 7,753,789</u>			

**Alternative Beta & Alternative Fixed Income:** This type includes investments in five fund of funds. Investment strategies include pooled investment vehicles and securities in a variety of markets including structured notes and swaps. The fair values of the investments have been determined using the NAV per share of the investments (or its equivalent) of the capital account balance nearest to the balance sheet date, adjusted for subsequent contributions and distributions. Alternative Beta and Alternative Fixed Income investments undergo annual independent financial statement audits.

**Energy:** This type includes investments in three energy funds which invest in the debt and equity of energy related companies. The fair values of the investments have been determined using the NAV per share of the investments (or its equivalent) of the capital account balance nearest to the balance sheet date, adjusted for subsequent contributions and distributions. Energy fund investments undergo annual independent financial statement audits. These investments can never be redeemed. The nature of these investments is such that distributions are received through the liquidation of underlying assets of the funds. These investments are expected to be funded through the fiscal year 2022.

**Farmland:** This type includes investments in two wholly owned agriculture funds. These two funds are for the purpose of owning and managing real estate property devoted to agricultural use. Investment properties include row crops, permanent crops and vegetable crops. The fair values of the investments have been determined using the NAV per share of the investments (or its equivalent) of the capital account balance nearest to the balance sheet date, adjusted for subsequent contributions and distributions. These investments are funds of one, therefore they can be liquidated at any time. Farmland investments undergo annual independent financial statement audits.

**Infrastructure (Private):** This type includes investments in two open-ended infrastructure funds. Investments include electricity generation, transmission, toll roads, pipelines, bridges, and other infrastructure-related assets. The fair values of the investments have been determined using the NAV per share of the investments (or its equivalent) of the capital account balance nearest to the balance sheet date, adjusted for subsequent contributions and distributions. Infrastructure investments undergo annual independent financial statement audits. Funds can be redeemed on a quarterly basis with proper notice.

# Alaska Retirement Management Board

## Invested Assets

### Notes to Schedules

June 30, 2020

#### (3) FAIR VALUE MEASUREMENTS (Cont.)

**Private Equity:** This type includes investments in 29 private equity funds including two gatekeeper managers who invest on behalf of the Alaska Retirement Management Board. These funds are diversified in various sectors including but not limited to venture capital, acquisitions, debt, and special situations. The fair values of the investments have been determined using the NAV per share of the investments (or its equivalent) of the capital account balance nearest to the balance sheet date, adjusted for subsequent contributions and distributions. Private equity funds undergo annual independent financial statement audits. These investments can never be redeemed. The nature of these investments is such that distributions are received through the liquidation of underlying assets of the funds. These investments are expected to be funded through the fiscal year 2027.

**Real Estate:** This type includes investments in 19 real estate funds that invest in primarily in U.S. commercial real estate including value-added, opportunistic and core investments. The fair values of the investments have been determined using the NAV per share of the investments (or its equivalent) of the capital account balance nearest to the balance sheet date, adjusted for subsequent contributions and distributions. Real estate investments undergo annual independent financial statement audits. Three of these funds are funds of one, therefore they can be liquidated at any time. For the remaining 16 funds, investments can never be redeemed. The nature of these investments is such that distributions are received through the liquidation of underlying assets of the funds. These investments are expected to be funded through the fiscal year 2031.

**Timber:** This type includes investments in two wholly owned timber funds that invest, acquire, manage, and dispose of timberland property and associated timber. The fair values of the investments have been determined using the NAV per share of the investments (or its equivalent) of the capital account balance nearest to the balance sheet date, adjusted for subsequent contributions and distributions. These investments are funds of one, therefore they can be liquidated at any time. Timber investments undergo annual independent financial statement audits.

**Synthetic Investment Contracts:** The Board's investment manager entered into investment contracts, on behalf of the Board, with four financial institutions. These institutions provide wrap contracts that cover separately managed SIC portfolios. The accounts are credited with earnings and investment deposits, less administrative expenses charged by the financial institutions and investment withdrawals. The contracts are included in the Board's statements at contract value. They are fully benefit-responsive. There are no reserves against contract value for the credit risk of the contract issuer or otherwise. The crediting interest rate is based on the approximate rate of interest that will amortize differences between contract and market value over the portfolio's average duration. Accounts and terms of SICs in effect at June 30, 2020, are as follows:

	As of June 30, 2020	
	Contract Provider	Alaska Retirement Management Board
Contract Value of Investment Contract	Prudential Insurance Company of America	144,798,291
Market Value of Portfolio	Prudential Insurance Company of America	153,050,773
Average Crediting Rate	Prudential Insurance Company of America	2.59%
Contract Value of Investment Contract	New York Life Insurance Co.	144,671,465
Market Value of Portfolio	New York Life Insurance Co.	152,509,859
Average Crediting Rate	New York Life Insurance Co.	2.48%
Contract Value of Investment Contract	Pacific Life Insurance Co.	144,863,224
Market Value of Portfolio	Pacific Life Insurance Co.	153,361,658
Average Crediting Rate	Pacific Life Insurance Co.	2.64%
Contract Value of Investment Contract	State Street Bank & Trust Co.	144,852,466
Market Value of Portfolio	State Street Bank & Trust Co.	153,258,679
Average Crediting Rate	State Street Bank & Trust Co.	2.63%
Contract Value of Investment Contract	Massachusetts Mutual Life Insurance Co.	144,745,310
Market Value of Portfolio	Massachusetts Mutual Life Insurance Co.	152,390,723
Average Crediting Rate	Massachusetts Mutual Life Insurance Co.	2.52%



# Alaska Retirement Management Board

## Invested Assets

### Notes to Schedules

June 30, 2020

#### (4) DEPOSIT AND INVESTMENT RISK

##### Interest Rate Risk

Interest rate risk is the risk that changes in interest rates will adversely affect the fair value of an investment. The ARMB invests its cash in the State of Alaska, Treasury Division's (Treasury) Short-Term Fixed Income Pool. As a means of limiting its exposure to fair value losses arising from increasing interest rates, Treasury's investment policy limits individual fixed rate securities to 14 months to maturity or 14 months expected average life upon purchase. Floating rate securities are limited to three years to maturity or three years expected average life upon purchase. At June 30, 2020, all securities within the Short-term Fixed Income Pool met these compliance metrics.

Duration is a measure of interest rate risk. It measures a security's sensitivity to a 100-basis point change in interest rates. The duration is the average fair value weighted duration of each security considering all related cash flows. At June 30, 2020, the effective duration of the Board's fixed income investments by type, was as follows:

	<b>Effective Duration</b> (in years)
Corporate Bonds	8.53
Mortgage Backed	1.31
Other Asset Backed	0.93
U.S. Government Agency	9.09
U.S. Treasury Bills, Notes, and Bond	8.11
Yankee Corporate Bonds	5.70
Yankee Government Bonds	6.68
<b>Total Portfolio</b>	<b>6.01</b>

##### *Synthetic Investment Contracts*

The Board contracts with an external investment manager who is given the authority to invest in SICs and a reserve. This external manager also manages the securities underlying the SICs. In the case of the Board's constant duration SICs, duration is the fair value weighted average term to maturity of all fixed income securities underlying the contracts and their related cash flows. Duration of the Plan's structured payout SICs is the weighted average maturity of the contract payments. Through the Board's investment policy, exposure to fair value losses arising from increasing interest rates is managed by limiting the duration on SICs as follows:

Buy-and-hold SICs must have an expected final maturity within seven years of settlement date or additional deposit date, whichever is applicable. Structured payout SICs may have a maximum duration of seven years in the aggregate on settlement date of the Contract. For constant duration SICs, duration cannot exceed the longer of six years or the duration of the Bloomberg Barclays Capital Aggregate Bond Index plus one-half year. The aggregate duration of the constant duration SICs was 3.39 years at June 30, 2020. The duration of the Bloomberg Barclays Capital Aggregate Bond Index was 3.35 years at June 30, 2020. The maturity of any marketable fixed income security or money market instrument held in the Reserve may not exceed one year at time of purchase. The Account's weighted average effective duration will generally not exceed the effective duration of the Bloomberg Barclays U.S. Intermediate Aggregate Bond Index plus 10%. The duration of the Barclays U.S. Intermediate Aggregate Bond Index was 3.44 years at June 30, 2020. The balance of the reserve is invested in the custodian's Institutional Treasury Money Market Fund.

# Alaska Retirement Management Board

## Invested Assets

### Notes to Schedules

June 30, 2020

#### (4) DEPOSIT AND INVESTMENT RISK (Cont.)

##### Credit Risk

Credit risk is the risk that an issuer or other counterparty to an investment will not fulfill its obligations. At June 30, 2020, the Board's Invested Assets consisted of fixed income securities with credit quality ratings issued by nationally recognized statistical rating organizations. Securities lending collateral was invested in a registered 2(a)-7 money market fund that was not rated. Using Standard & Poor's Corporation rating scale, the values for each rating are as follows (in thousands):

<u>Rating</u>	<u>US Dollar</u>
A	\$ 892,959
AA	203,290
AAA	227,101
B	6,527
BB	12,202
BBB	632,825
CCC	317
Not Rated	2,635,100
U.S. Government Agency	34,579
U.S. Treasury Bills, Notes, and Bonds	1,147,672
Grand Total	\$ <u>5,792,572</u>

##### *Synthetic Investment Contracts*

The Board's investment policy has the following credit risk limitations for SICs, investments underlying the synthetic investment contracts and the reserve:

Synthetic investment contract issuers must have an investment grade rating.

Supranational Agency and Foreign Government entity investments must have a minimum rating of A- or equivalent.

Corporate debt securities must have a minimum rating of BBB- or equivalent.

Asset-backed securities must have a minimum rating of AAA or equivalent.

The ratings assigned to issuers of money market instruments must have the highest rating of any nationally recognized statistical rating organization. This limitation does not apply to the investment funds maintained by the custodian.

##### Custodial Credit Risk – Deposits

Custodial credit risk is the risk that deposits may not be returned in the event of a bank failure. The Board does not have a policy in relation to custodial credit risk for deposits. At June 30, 2020, the Board's Invested Assets had uncollateralized and uninsured foreign currency deposits of \$14,472,000.

# Alaska Retirement Management Board

## Invested Assets

### Notes to Schedules

June 30, 2020

#### (4) DEPOSIT AND INVESTMENT RISK (Cont.)

##### Foreign Currency Risk

Foreign Currency Risk is the risk that changes in exchange rates will adversely impact the fair value of an investment. The Board's Stable Value Fund policy requires that all investments underlying a synthetic investment contract be denominated in U.S. dollars. For all other funds, through its asset allocation, the Board limits total investments in foreign currencies to the following:

<u>Pension System</u>	<u>Opportunistic</u>	<u>Global Equity Ex-U.S.</u>	<u>Private Equity Pool</u>	<u>Real Assets Pool</u>
PERS	12%	22%	17%	20%
TRS	12%	22%	17%	20%
JRS	12%	22%	17%	20%
MRS	13%	25%	-	-

At June 30, 2020, the Board had exposure to foreign currency risk with the following deposits and investments (in thousands):

	<u>Deposits</u>	<u>Equity</u>	<u>Futures</u>	<u>Private Equity</u>	<u>Rights &amp; Warrants</u>
Australian Dollar	\$ 300	68,708	-	1,242	-
Brazilian Real	143	53,967	-	-	-
Canadian Dollar	841	93,526	6	-	-
Chilean Peso	13	5,385	-	-	-
Colombian Peso	1,262	1,491	-	-	-
Czech Koruna	11	715	-	-	-
Danish Krone	72	50,395	-	-	-
Egyptian Pound	-	541	-	-	-
Euro Currency	413	602,176	-	206,213	300
Hong Kong Dollar	551	208,960	-	-	-
Hungarian Forint	6	891	-	-	-
Iceland Krona	576	2,034	-	-	-
Indian Rupee	-	44,395	-	-	-
Indonesian Rupiah	1	10,183	-	-	36
Japanese Yen	2,783	421,075	-	-	-
Malaysian Ringgit	2	10,535	-	-	-
Mexican Peso	9	14,404	-	-	-
New Israeli Sheqel	180	9,884	-	-	-
New Taiwan Dollar	371	64,468	-	-	-
New Zealand Dollar	197	10,474	-	-	-
Norwegian Krone	191	14,943	-	-	-
Philippine Peso	-	1,912	-	-	-
Polish Zloty	81	2,191	-	-	-
Pound Sterling	2,172	259,273	-	51,793	-
Qatari Rial	47	5,336	-	-	-
Russian Ruble	-	38,423	-	-	-
Saudi Riyal	1,234	7,319	-	-	-
Singapore Dollar	267	20,517	-	-	-
South African Rand	308	20,936	-	-	-
South Korean Won	62	89,751	-	-	2
Swedish Krona	169	68,784	-	7,732	-
Swiss Franc	966	123,635	-	-	-
Thailand Baht	29	9,715	-	-	2
Turkish Lira	146	11,032	-	-	-
Uae Dirham	70	2,281	-	-	-
Yuan Renminbi	999	59,738	-	-	-
Grand Total	\$ 14,472	2,409,993	6	266,980	340

# Alaska Retirement Management Board

## Invested Assets

### Notes to Schedules

June 30, 2020

#### (4) DEPOSIT AND INVESTMENT RISK (Cont.)

##### Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of a government's investment in a single issuer. At June 30, 2020, the Board's Invested Assets did not have exposure to any one issuer greater than 5% of total invested assets.

##### *Synthetic Investment Contracts*

The Board's policy regarding concentration of credit risk for synthetic investment contracts, investments underlying the synthetic investment contracts and the reserve is as follows:

No investment will be made if, at the time of purchase, total investment in any single issuer of investment contracts would exceed thirty-five percent of the synthetic investment contracts' total value.

No investment will be made if, at the time of the purchase, the investment could cause any single issuer, or all issuers of the securities held as supporting investments under the synthetic investment contracts to exceed the thresholds in the table below. The maximum exposure to securities rated BBB is limited to twenty percent of the total value underlying synthetic investment contracts.

Investment Type	Issuer	All Issuers
U.S. Treasury and Agencies	100%	100%
U.S. Agency Securities	100%	100%
Agency Mortgage-Backed Securities	50%	50%
Non-Agency Mortgage-Backed Securities	5%	50%
Asset-backed Securities	5%	50%
Domestic and Foreign Corporate Debt Securities	5%	50%
Supranational Agency and Foreign Government entity securities	5%	50%
Money Market Instruments – Non Gov/Agency	5%	100%
Custodian Short-term Investment Fund	100%	100%

For the reserve, the total investment of any single issuer of money market instruments may not exceed 5% of the total value underlying synthetic investment contracts. This limitation does not apply to the investment funds maintained by the custodian.

#### (5) DERIVATIVES, FOREIGN EXCHANGE, AND COUNTERPARTY CREDIT RISK

The Board is exposed to credit risk on investment derivative instruments that are in asset positions. The Board has no policy of requiring collateral or other security to support derivative instruments subject to credit risk. Additionally, the Board has no policy regarding entering into netting arrangements when it enters into derivative instrument transactions with a counterparty, nor does the Board have a policy for contingencies. On June 30, 2020, the Board had the following derivative instruments outstanding:

	Changes in Fair Value		Fair Value		
	Classification	Amount	Classification	Amount	Notional
Commodity Futures Long	Investment Revenue	\$ 1,412,682	Futures	\$ -	\$ 20,900
Commodity Futures Short	Investment Revenue	529,205	Futures	-	-
Fixed Income Futures Long	Investment Revenue	10,458	Futures	-	400,000
Fixed Income Futures Short	Investment Revenue	(1,808,143)	Futures	-	(35,500,000)
FX Forwards	Investment Revenue	(3,264,825)	Long Term Instrum	(1,532,732)	195,479,807
Index Futures Long	Investment Revenue	3,617,559	Futures	-	27,467
Index Futures Short	Investment Revenue	22,337,833	Futures	-	(817)
Index Options Written	Investment Revenue	(1,040,209)	Options	-	-
Rights	Investment Revenue	(2,150)	Common Stock	304,148	664,584
Warrants	Investment Revenue	13,309,897	Common Stock	21,930,022	2,883,858

# Alaska Retirement Management Board

## Invested Assets

### Notes to Schedules

June 30, 2020

#### (5) DERIVATIVES, FOREIGN EXCHANGE, AND COUNTERPARTY CREDIT RISK (Cont.)

The International Equity Pool includes foreign currency forward contracts to buy and sell specified amounts of foreign currencies at specified rates on specified future dates for the purpose of hedging existing security positions. The counterparties to the foreign currency forward contracts consist of a diversified group of financial institutions. Credit risk exposure exists to the extent of nonperformance by these counterparties; however, the risk of default is considered to be remote. The market risk is limited to the difference between contractual rates and forward rates at the balance sheet date. At June 30, 2020, the Board had the following Foreign Currency risk related to derivatives:

Currency Name	Right & Warrant Options	Net Receivables	Net Payables	Total Exposure
Australian Dollar	\$ -	(14,528)	-	(14,528)
Canadian Dollar	-	(44,964)	-	(44,964)
Swiss Franc	-	(20,008)	14,648	(5,360)
Euro Currency	299,587	(848,095)	176,291	(372,217)
Pound Sterling	-	(215,216)	-	(215,216)
Indonesian Rupiah	35,810	-	-	35,810
Japanese Yen	-	(605,863)	-	(605,863)
South Korean Won	2,474	3,864	8,305	14,643
Swedish Krona	-	-	12,834	12,834
Singapore Dollar	-	-	-	-
Thailand Baht	1,833	-	-	1,833
	\$ 339,705	(1,744,810)	212,078	(1,193,028)

At June 30, 2020, the Board had no counterparty credit and counterparty concentration risk associated with its investment derivative positions.

#### (6) SECURITIES LENDING

Alaska Statute 37.10.071 authorizes the Board to lend assets, under an agreement and for a fee, against deposited collateral of equivalent fair value. The Board lends marketable debt and equity securities through a contract with State Street Bank and Trust (the Bank). International equity security loans were collateralized at not less than 105 percent of their fair value. All other security loans were collateralized at not less than 102 percent of their fair value. Loaned securities and collateral were marked to market daily and collateral was received or delivered the following day, as necessary, to maintain collateral levels. The Board cannot pledge or sell collateral received until and unless a borrower defaults. At year-end, the Board had no credit risk exposure to the borrowers because the amounts the Board owed to the borrowers exceeded the amounts the borrowers owed the Board.

The fair value of securities on loan at June 30, 2020, was approximately \$33.3 million. At June 30, 2020, cash collateral received totaling \$34.4 million is reported as a securities lending payable and the fair value of the re-invested cash collateral totaling \$34.4 million is reported as security lending collateral invested in the Schedule of Invested Assets.

Cash collateral was invested in a registered 2(a)-7 money market fund. Maturities of investments in the money market fund generally did not match the maturities of the loaned securities because the lending agreements were terminable at will. Securities under loan, cash collateral and cash collateral payable are recorded on the financial schedules at fair value. The Bank and the Board received a fee from earnings on invested collateral. The Bank and the Board shared the fee paid by the borrower.

There was limited credit risk associated with the lending transactions since the Board was indemnified by the Bank against any loss resulting from counterparty failure or default on a loaned security or its related income distributions. The Bank further indemnified the Board against loss due to borrower rebates in excess of earnings on cash collateral. Indemnifications were subject to limitation relating to a force majeure event as outlined in the contract.

For the year ended June 30, 2020 there were no losses incurred as a result of securities lending transactions and there were no significant violations of legal or contractual provisions nor failures by any borrowers to return loaned securities.