State of Alaska
ALASKA RETIREMENT MANAGEMENT BOARD
Relating to Enhanced Cash Fund Guidelines

Resolution 2007-23

WHEREAS, the Alaska Retirement Management Board (Board) was established by law to serve as trustee to the assets of the State's retirement systems; and

WHEREAS, under AS 37.10.210-220, the Board is to establish and determine the investment objectives and policy for the funds of the Public Employees' Retirement System, Teachers' Retirement System, Judicial Retirement System, and Alaska National Guard and Naval Militia Retirement System; and

WHEREAS, AS 37.10.071 and AS 37.10.210-220 require the Board to apply the prudent investor rule and exercise the fiduciary duty in the sole financial best interest of the funds entrusted to it and treat beneficiaries thereof with impartiality; and

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

WHEREAS, the Board will establish and from time to time as necessary modify guidelines for the enhanced cash fund.

NOW THEREFORE BE IT RESOLVED THAT THE ALASKA RETIREMENT MANAGEMENT BOARD adopts the attached Enhanced Cash Fund Guidelines, attached hereto and made a part hereof, regarding investment in the enhanced cash fund.

DATED at Anchorage, Alaska this 14th day of June, 2007.

Chair

ATTEST:

Gayle W. Harbo
Secretary

ENHANCED CASH FUND INVESTMENT GUIDELINES

A. Purpose. The emphasis of investments in the enhanced cash fund shall be diversification, subject to defined constraints, to minimize risk.

B. Enhanced Cash Fund Portfolio.

1. Investment Structure. Permissible investments shall be limited to the following:

a. Money market investments comprising:

1. Repurchase agreements collateralized only by U.S. Treasury obligations, including bills, notes, and bonds, and only when the collateral carries a market value equal to or greater than 102% of the amount of the repurchase agreements, and only when the custodial bank appointed by retirement funds will take custody of the collateral; and

2. Commercial paper rated at least Prime-1 by Moody's Investor Services, Inc. and A-1 by Standard and Poor's Corporation; and

3. Negotiable certificates of deposit and bankers acceptances; provided that an issuing bank must have total assets in excess of $5 billion.

b. United States Treasury obligations including bills, notes, bonds other debt obligations issued by the United States Treasury, and backed by the full faith and credit of the U.S. Government.

c. Other full faith and credit obligations of the U.S. Government.

d. Securities issued or guaranteed by agencies and instrumentalities of the U.S. Government, but not explicitly backed by the full faith and credit of the U.S. Government.

e. Securities issued or guaranteed by municipalities in the United States.

f. Obligations of foreign governments, sovereign states, supranational entities, and their instrumentalities.

g. Corporate debt securities.

h. U.S. non-convertible preferred stock.

i. Asset-backed Securities (ABS).

j. Agency and non-agency mortgage-backed securities backed by loans secured by residential, multifamily and commercial properties including, but not limited to pass-throughs, collateralized mortgage loans (CMOs), project loans, construction loans and adjustable rate mortgages.

k. Total return swaps referenced to components or sub-components of fixed income indices.

l. Single name and index credit default swaps.

m. Interest rate swaps.

n. The internally managed short-term or substantially similar portfolio.

o. Institutional money market funds rated Aaa by Moody's Investors Service and AAA by Standard & Poors ratings group which comply with SEC Rules governing such funds.

2. **Limitation on Holdings.** The manager of the enhanced cash portfolio shall apply appropriate diversification standards subject, however, to the following limitations based on the current market value of assets:

a. The portfolio's duration must be between zero and one year.

b. The average portfolio credit quality shall be A3 or higher.

c. The manager may not invest more than 10% of the portfolio's assets in non-U.S. dollar-denominated securities. The non-U.S. dollar currency exposure of the portfolio must be hedged back to U.S. dollars using currency forwards, options or futures on foreign exchange contracts. However, with prior written approval of the CIO the portfolio may achieve up to 10% exposure to non-U.S. dollar currencies via unhedged non-U.S. dollar securities, futures, swaps, options and/or futures on foreign exchange contracts.

d. The manager may not invest more than 10% of the portfolio's assets in securities rated below investment grade as determined by the Lehman Brothers rating methodology.

e. The manager may not purchase more than 10% of the currently outstanding par value of any corporate bond issue.

f. The manager may not invest more than 5% of the portfolio's assets in the bonds of any non-U.S. government agency or instrumentality.

g. The manager may not invest more than 2% of the portfolio's assets in the bonds of any non-U.S. government agency or instrumentality rated below investment grade.

3. **Coverage.** The manager will execute trades with dealers that will execute orders promptly at the most favorable prices reasonably attainable. The manager may only execute trades with U.S. Treasury primary dealers; provided that the dealer shall have a minimum of $200,000,000 in capital. This requirement does not apply to or restrict trades with direct issuers of commercial paper and mortgage-backed securities otherwise eligible for investment under these guidelines. The dealers must be able to execute orders promptly at the most favorable prices reasonably attainable.

4. **Specific Exclusions on Investments.** The manager shall apply appropriate limitations designed to reduce risk exposure at the time investment securities are purchased, and shall, at a minimum, apply the following limitations:

a. There shall be no investment in private placements, except Rule 144A securities.

b. The manager shall not sell securities short.

5. **Required Remedies.** Recognizing that ratings and relative asset worth may change, the manager shall liquidate invested securities with care and prudence when the relative market value of an investment type exceeds the levels of holdings permitted in these guidelines. The manager is required to notify the chief investment officer to discuss the situation and the proposed liquidation strategy if it is not prudent simply to liquidate immediately.

6. **Benchmark.** One month London Interbank Offered Rate (LIBOR).