State of Alaska
ALASKA RETIREMENT MANAGEMENT BOARD
Relating to Taxable Municipal Fixed Income Guidelines

Resolution 2014-26

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 each of the funds entrusted to it; 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 authorized investment in fixed income securities; and

WHEREAS, the Board will establish and from time to time as necessary modify guidelines for fixed income securities.

NOW THEREFORE BE IT RESOLVED THAT THE ALASKA RETIREMENT MANAGEMENT BOARD adopts the attached Taxable Municipal Fixed Income Guidelines, attached hereto and made a part hereof, regarding investment in fixed income securities. This resolution repeals and replaces Resolution 2013-17.

DATED at Anchorage, Alaska this 4th day of December, 2014.

Chair

ATTEST:

Gayle Harbo
Secretary

TAXABLE MUNICIPAL FIXED INCOME GUIDELINES

A. Purpose. The emphasis of investments in fixed income securities shall be diversification, subject to defined constraints, to minimize risk.

B. Investment Management Service to be Performed. Taxable municipal fixed income Contractors shall invest and reinvest the cash and securities allocated to them and deposited in their account, without distinction between principal and income, in a portfolio consisting of fixed income securities with an intended emphasis on taxable municipal securities. These securities will be selected and retained by Contractors solely on the basis of their independent judgment relating to economic conditions, financial conditions, market timing, or market analysis, and will not be subject to direction from the ARMB.

C. Performance Standards. Contractors are expected to have returns, net of fees, in excess of the appropriate benchmark over rolling 5-year periods with an ex-ante tracking error, defined as the annualized standard deviation of returns relative to the index, of less than two percent. The benchmark is the Barclays Taxable Municipal: US Aggregate Eligible Index. The Contractors cannot guarantee any outcome and these targets are not to be considered an assurance or guarantee of performance or of realized risk in the portfolio.

D. Investment Structure. Permissible U.S. dollar denominated debt investments shall be limited to the following:

1. Money market investments comprising:

   a. 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;

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

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

2. 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.

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

4. 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.

5. Securities issued or guaranteed by municipalities in the United States, including but not limited to territories and commonwealths, such as securities issued by non-profit institutions and special purpose entities, higher education institutions, health care organizations and project finance corporations, regardless of tax status:
   - general obligation bonds
   - revenue bonds
   - housing authority bonds
   - private activity bonds
   - industrial development bonds
   - residual interest bonds
   - tender option bonds
   - tax and revenue anticipation notes
   - bond anticipation notes
   - commercial paper
   - municipal leases
   - participation certificates
   - corporate backed municipal issuers
   - taxable municipal closed-end funds

E. **Portfolio Constraints.** All limitations are applicable at the time of purchase. Short term securities must be rated at least A-2/P-2/F-2 or equivalent by an Nationally Recognized Statistical Rating Organization (NRSRO) or by the Contractor, if unrated. Long term securities must be rated investment grade by an NRSRO or by the Contractor, if unrated. Only one rating is necessary, and the median rating will apply for securities rated by more than one NRSRO. The Contractor shall apply appropriate diversification standards subject, however, to the following limitations based on the current market value of assets:

1. The portfolio's duration may not exceed a band of +/-20% around the duration of the index.

2. The Contractor may not invest more than 20% of the portfolio's assets in securities that are not rated by an NRSRO.

3. The Contractor may not invest more than 25% of the portfolio's assets in securities originated by it or an affiliated company.

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

5. The Contractor shall not sell securities short.

6. The Contractor shall not purchase securities on margin.

7. The Contractor shall not utilize options or futures.

8. Externally Managed Assets: Internal cross trading is permitted but only in accordance with requirements under: (1) 29 U.S.C. §1108(b)(19); (2) 29 C.F.R. §2550.408b-19; and (3) 26 U.S.C. §4975(d)(22).

F. Required Remedies. Recognizing that ratings and relative asset worth may change, the Contractor shall liquidate invested securities with care and prudence when the credit rating of a security falls below the minimum standards set in these guidelines or when the relative market value of that investment type exceeds the levels of holdings permitted in these guidelines. The Contractor 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.