State of Alaska
ALASKA RETIREMENT MANAGEMENT BOARD

Relating to Absolute Return Investment Guidelines

Resolution 2015-01

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 absolute return strategies; and

WHEREAS the Board will establish and from time to time as necessary modify guidelines for absolute return strategies.

NOW THEREFORE BE IT RESOLVED THAT THE ALASKA RETIREMENT MANAGEMENT BOARD adopts the attached Absolute Return Investment Guidelines, regarding investment in absolute return strategies.

This resolution repeals and replaces Resolution 2014-10

DATED at ~~Anchorage~~ Juneau, Alaska this 12th day of February, 2015.

Chair

ATTEST:

Gayle Harbo

Secretary

ALASKA RETIREMENT MANAGEMENT BOARD

ABSOLUTE RETURN

INVESTMENT POLICIES & PROCEDURES

REVISED FEBRUARY 2015

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ALASKA RETIREMENT MANAGEMENT BOARD

INTRODUCTION – ABSOLUTE RETURN CHARACTERISTICS

The Alaska Retirement Management Board (ARMB) has determined that an allocation to "absolute return strategies" should improve the return and risk characteristics of the defined benefit pension portfolios. ARMB has made an allocation to be invested in a diversified basket of such approaches and ARMB's absolute return program will be comprised of investments in underlying hedge funds. ARMB recognizes that absolute return strategies are not an asset class but rather a number of investment management strategies that when undertaken skillfully exhibit return patterns that are largely uncorrelated to traditional asset classes (stocks, bonds etc). The spectrum of absolute return strategies is broad. It includes approaches that have historically tended to exhibit risk characteristics, as measured by standard deviation of returns, similar to bond investments. At the other end of the spectrum are strategies that exhibit significant volatility of returns. ARMB's intent is to invest in some combination of strategies that, in aggregate, will exhibit a volatility pattern that is in between bonds and equities. The standard deviation of annual returns is expected to be in the 5-10% range. As a frame of reference, recent standard deviation statistics for domestic equities have ranged from 16-23% while investment grade bonds have exhibited standard deviations of 3.5-4.5%.

Managers of absolute return portfolios frequently employ leverage, engage in short sales, utilize complex instruments (e.g. derivatives, swaps etc.) and complex strategies. Unlike investments in traditional stock and bond portfolios, absolute return strategies do not have an inherent "natural" return pattern that is augmented by manager skill. Instead, the return is almost entirely dependent upon manager skill. Many of the strategies used have long histories so that "typical" or reasonable expectations may be formulated. These expectations are not assured and in any case require skillful implementation by the manager. Many "absolute return" strategies are dependent upon market liquidity, the level and stability of interest rates and volatility of markets (volatility often enhances opportunities). The widely accepted universe of investment strategies utilized by absolute return managers includes event-driven (e.g., merger arbitrage, distressed securities, special situations), relative value (e.g., convertible arbitrage, fixed-income arbitrage, market neutral equity), and directional/opportunistic/tactical (e.g., long/short equity, global macro, and managed futures) "styles" that tend to have low correlations to traditional, long-only equity and fixed-income strategies.

Unlike long-only managers whose returns are substantially explained by capital market movements, absolute return managers achieve returns substantially independent of normal market cycles. With their highly discretionary use of risk capital, they seek to generate profits regardless of conditions in the equity or fixed-income markets. To control risk or enhance return, they will often use short-selling, derivatives, leverage, and, in certain cases, illiquid securities. While these strategies often seek to mitigate the impact of general market's directional movements, returns are still heavily influenced by market-related activity, such as trading volume, market volatility, mergers & acquisitions, bankruptcy, IPOs and other corporate issuance. Notwithstanding the effectiveness of a particular investment strategy, returns are dependent upon exceptional manager skill.

Absolute return managers typically utilize a limited partnership structure or other investment vehicles to limit investor liability and to accommodate a generous profit sharing structure that is typical to the arena. Hedge fund managers frequently receive performance-based fees typically 20% (or more) of net profits, plus 1% (or more) in management fees. Fund of hedge fund managers also typically employ a management and incentive fee structure, but at a lower level than the underlying funds. Helping to further reduce the agency risks found in most long-only manager relationships, hedge fund managers typically invest, and are usually expected to invest, a significant portion of their personal net worth alongside their investors. In addition, to the extent funds lose capital, a high watermark provision typically defers incentive fees until the losses have been recouped. Nevertheless, incentive fees on upside performance can, at the margin, adversely motivate hedge fund managers to consider riskier opportunities, thus warranting careful ongoing review of investments in funds of such managers.

I. INVESTMENT OBJECTIVES AND IMPLEMENTATION

A. INVESTMENT OBJECTIVES

ARMB's aggregate absolute return program seeks to achieve consistent positive real returns and to maximize long-term total return within prudent levels of risk through a well-diversified portfolio of absolute return strategies. This will be delivered through investments in underlying hedge funds that, in aggregate, do not materially rely upon the direction of the equity or fixed-income markets. This program's value-added return will be primarily derived from selection of the manager and, to a lesser degree, strategy allocation. However, for purposes of risk diversification, the Investment Manager is not expected to create concentrated exposures to individual investments or investment strategies, as defined below under Program Risk Management and Implementation.

B. IMPLEMENTATION APPROACH

The due diligence process of evaluating individual hedge funds is particularly challenging and requires significant experience and knowledge of this portion of the investment management universe. As such, it poses certain challenges to a potential investor with limited resources. Therefore, to invest in this area ARMB recognizes the need to either delegate this fiduciary responsibility or to engage a consultant to assist with the investment process. Accordingly, ARMB may select, with assistance from its investment consultant, individual hedge funds and/or an investment adviser ("Investment Manager") who is qualified to properly assemble and manage a diversified portfolio of investments. The structure utilized may be:

1. A portfolio separately managed by an Investment Manager and comprised of limited liability interests in individual limited liability entities;
2. An investment with limited liability in a "fund of one" that invests exclusively in a diversified portfolio managed by the Investment Manager and comprised of limited liability entities;
3. Investments with limited liability in one or more "funds of funds" that are structured to invest in diversified portfolios of various limited liability entities. A key distinction between this approach and approach #2 is that there would be other investors participating with ARMB.

4. Limited liability interests in individual hedge funds. When utilizing this approach, the ARMB will engage an investment consultant to assist with the due diligence of individual hedge funds that are not already in the ARMB's portfolio.

ARMB may use a combination of these approaches. The determination of the ideal approach will be influenced by the willingness of qualified Investment Managers (or potential general partners) to enter into agreements and the effects on ARMB's ability to access the best underlying investments.

When conducting a search for an Investment Manager, ARMB shall apply the following guidelines for qualifying an Investment Manager:

1. The Investment Manager of a separate absolute return portfolio shall be a bank, insurance company, or a registered investment adviser under the Investment Advisers Act of 1940.
2. In the case of a fund of funds vehicle in which other investors may participate, ARMB prefers that its investment shall not represent more than 10% of the commingled vehicle's total market value, except if the vehicle has substantially the same managers and strategic allocations as another vehicle of the Investment Manager, in which case the investment shall not exceed 10% of the total market value of the combined vehicles. ARMB also prefers that no other investor, besides those affiliated with the Investment Manager, would hold more than 10% of assets in such commingled vehicle(s).
3. The Investment Manager must represent on an initial and recurring basis that its personnel responsible for carrying out services with ARMB have not, to the best knowledge of the Investment Manager, been convicted of any crime or found liable in a civil or administrative proceeding or pleaded no contest or agreed to any consent decree with respect to any matter involving breach of trust or fiduciary duty, fraud, securities law violations, violations of disclosure provisions in bankruptcy law regulations or any act or omission involving moral turpitude.

C. PORTFOLIO PERFORMANCE OBJECTIVES

Evaluation of quarterly performance is necessary to assess the program's progress toward its long-term investment goals. It is understood that there will likely be periods during which performance deviates from long-term return objectives. During such times, greater emphasis shall be placed on performance comparisons with fund-of-fund managers that employ similar styles or strategic allocations.

The performance objectives for the overall program are as follows and individual Investment Manager guidelines will be set in writing by the CIO:

1. To achieve a return in excess of a portfolio composed of 70% MSCI All Country World Index (ACWI) and 30% Barclays Capital Aggregate Bond Index based upon rolling 6-year periods, net of all fees.
2. To achieve the above return objective with an expected annual standard deviation of such returns in the 5-10% range based on rolling 3-year periods.

3. To achieve the above return and volatility objectives with lower exposure to the equity and the bond markets, beta should not consistently exceed either 0.50 to the S&P 500 Stock Index or 0.50 to the Barclays Aggregate Bond Index based upon rolling 3-year periods unless permitted in writing by the Chief Investment Officer.

Attaining these objectives does not guarantee continued investment by ARMB nor does failure to achieve these guidelines mandate termination of the investment.

D. PROGRAM RISK MANAGEMENT AND IMPLEMENTATION

The selection and management of assets in the absolute return portfolio will be guided to generate a high level of risk adjusted return and to maintain prudent diversification of assets and specific investments.

While specific investment guidelines for fund-of-funds vehicles are determined by the vehicle's governing legal documentation for each fund offering, ARMB shall apply the following measures of risk management and diversification for evaluating and reviewing an absolute return program based on a broadly diversified mandate involving one or more Investment Managers:

1. Institutional Quality

All underlying hedge fund investments must be of institutional investment quality. Institutional quality will be defined as being of a quality whereby the investment would be considered acceptable by other prudent institutional investors.

2. Leverage

The underlying hedge funds in ARMB's portfolio shall use leverage in a prudent manner that is consistent with leverage applied in similar hedge fund strategies and that when aggregated is consistent with fund-of-funds programs broadly diversified across both directional and non-directional strategies. ***ARMB does not permit financial leverage by the Investment Manager*** except in the case of a commingled fund where leverage is only used to facilitate the timing of purchases and redemptions.

3. Liquidity/Redemption

The underlying redemption schedules for the program shall be such that at least 25% of the funds under management have quarterly (or more frequent) redemption, up to an additional 30% may have less frequent, but up to annual redemption, 30% may have up to three year redemption, and 15% may have up to five year redemption. These redemption periods are subject to standard notice periods and holdbacks pending annual audits. Notwithstanding stated redemption schedules, ARMB recognizes that such timetables for liquidity may be suspended under certain circumstances, such as periods of unusual financial stress within markets or within underlying hedge funds. Managers may also make investments through closed-end funds or other structures that are not subject to these liquidity guidelines with approval from the Chief Investment Officer.

4. Strategy

To be broadly diversified by strategic allocations, ARMB's program shall contain exposures to the three broad investment categories of underlying funds: relative value, event driven, and directional/opportunistic/tactical strategies. The targeted maximum exposure to any one underlying fund strategy, as defined by the Credit Suisse Hedge Fund Index shall be as follows:

Long/Short Equity (including Market Neutral and Short Biased)	65%
Event Driven (including Distressed and Risk Arbitrage)	65%
Multi-Strategy/Other	65%
Fixed Income Arbitrage	30%
Global Macro	25%
Convertible Arbitrage	15%
Managed Futures	15%

The above targeted exposures will be based on the combined allocations to fund-of-fund portfolios and individual separate portfolios, if any. Investment Manager's need to be aware of these program level strategy guidelines, but individual portfolios are not required to meet them. Investment Manager specific strategy guidelines may be implemented in individual contracts or through written direction by the Chief Investment Officer to tailor investment manager specific guidelines to particular mandates or styles.

5. Manager

To be broadly diversified by hedge fund manager, each of ARMB's absolute return portfolios shall contain exposure to a minimum of 10 individual funds, with the maximum exposure to any one underlying fund, or group of affiliated funds, limited to 10% of ARMB's aggregate fund program, unless otherwise specifically exempted by ARMB staff.

6. Risk Management at the Portfolio Level

The ARMB's absolute return program shall permit the Investment Manager to hedge risk at the portfolio level (via index options, futures, CDS's, of through other means) with prior approval from the Chief Investment Officer.

7. Co-Investments and Direct Investments

The ARMB's absolute return program shall permit the Investment Manager to co-invest in direct investments alongside existing hedge fund managers or other investment managers and to make Direct Investments with approval from the Chief Investment Officer. Co-Investments and Direct Investments are not subject to the specific strategy or liquidity constraints of the absolute return program.

E. REPORTING

1. Monthly Reporting

The Investment Manager is required to provide, or cause to be provided, at least the following information on a monthly basis.

a. Within 30 calendar days, the Investment Manager shall provide to ARMB and the Custodian a report of ARMB's account cash flows and valuations, and any other information reasonably requested. If an external administrator is used, this information should come directly from the administrator to ARMB and the Custodian.

2. Quarterly Reporting

The Investment Manager is required to provide, or cause to be provided, at least quarterly reports to ARMB that shall minimally include the following:

a. Calculation of estimated net asset value with a summary of discrepancies, if any, with ARMB's custodian bank outstanding more than 90 days. If an external administrator is used, this information should come directly from the administrator to ARMB.

b. Performance results and attribution on a strategy basis with results on a fund basis available on request.

c. Listing of strategic allocations (e.g., convertible arbitrage, market neutral equity, fixed-income arbitrage, multi-strategy relative value, distressed, merger arbitrage, multi-strategy event-driven, long-short equity, global macro, managed futures) as a percent of the Investment Manager's total fund assets as of quarter end.

d. Disclosure of any positions of financial or market leverage, on a strategy basis and an aggregate basis.

e. Identification of any underlying managers with a market value greater than 2% of total fund assets or fund of fund assets. For regular reporting pseudonyms may be used in the place of sensitive fund names, but more detailed information must be available on request per Section E.5 below.

f. Notice of changes in organizational structure, ownership, key personnel, and investment strategy of the firm. Material changes shall be reported in a timely manner by at least two means of communication (e.g., phone call, email, fax, and/or letter). Generally, timely reporting means reporting PRIOR to a material change.

3. Annual Reporting

The Investment Manager is required to provide, or cause to be provided, the following information on at least an annual basis.

a. Annual filing of Form ADV with the Securities and Exchange Commission.

b. Annual financial statements for ARMB's absolute return portfolio audited by an accounting firm acceptable to ARMB.

c. Ongoing annual report of compliance with the Investment Management Agreement representations with particular attention to the subsection regarding the ethical/legal conduct of personnel.

4. Meetings with ARMB

The Investment Manager is required to meet with ARMB and staff in Alaska as reasonably requested and at least annually. These meetings will provide the Investment Manager with the opportunity to discuss how its investment strategy has evolved since previous meetings. The written and oral presentations at these meetings should, at minimum, include the following:

a. *Performance for Past Period*: Standard time periods for each report should include at least: Last Quarter, Year to Date, Latest 12 Months, 3 Years and Since Inception. Returns should be annualized for periods over one year and calculated on a time-weighted basis for the total portfolio. All returns should be net of all management and incentive fees.

b. *Rationale for Performance Results*: Discussion of the rationale for performance results, relating specifically to strategic and manager allocations during the current review period.

c. *Specific Near-Term Strategy*: Discussion of the Investment Manager's strategy for the portfolio over the near-term period.

d. *Changes in the Investment Manager's Firm*: Discussion of any changes in the Investment Manager's firm including, but not limited to, organizational structure, ownership, key personnel, investment strategy and philosophy.

e. *Changes in the Fund's Requirements*: Discussion of any changes in the Investment Manager's fund objectives or guidelines, particularly in relation to ARMB's above stated objectives and guidelines.

5. Transparency

To meet fiduciary obligations ARMB may, at times, require 100% transparency with respect to underlying hedge fund investments. This transparency shall include at minimum information with respect to all underlying hedge fund names, hedge fund strategies, background information on hedge fund principals, and historical performance information. All information supplied shall be subject to the confidentiality provisions described in Section III and the legal agreements with the Investment Manager.

6. Other Information

The Investment Manager will also provide any other reasonable information requested by the Staff, or ARMB's Custodian Bank, or other agent of ARMB.

F. CONFLICTS OF INTEREST

1. Investment Manager Affiliated/Proprietary Products

In absolute return investing, there may be situations wherein the Investment Manager may recommend its proprietary investment product(s) or may have a financial interest in investment products recommended for investment. If considering placing ARMB in such product(s), an analysis of why competing products are not suitable must be presented for the

Staff's review, and any investment must be approved by Staff.

2. Allocation of Investments/Redemptions Among Accounts

There may be instances where the Investment Manager will either need to allocate an investment opportunity or to redeem an investment opportunity from a number of clients or competing products (i.e., fund-of-funds). The Investment Manager must have suitable protective covenants or processes for resolving conflicts in allocation and redemption among accounts.

3. Personal Investments

The Investment Manager will provide ARMB with its policies for personal investments by employees and notify Staff of any changes. The Investment Manager's employees are permitted to invest personally or otherwise have beneficial interest in investments held on behalf of clients such as ARMB only after the Investment Manager makes sure that ARMB's portfolio has an opportunity to secure a full and appropriate allocation. Similarly, the Investment Manager's employees are permitted to sell an interest in investments that are also held by ARMB only after the Investment Manager makes sure that ARMB's portfolio has an opportunity to first and fully liquidate the holding. This section shall not apply to employee investments in the Investment Manager's commingled funds.

G. TAX CONSEQUENCES

The Investment Manager will endeavor (with best efforts attempts) to preclude federal and other taxation of ARMB (or its subsidiary entities as the case may be) including at the investment entity level, and to minimize UBIT incidence by ARMB. This may include investing in entities that do not intend to generate UBIT and when possible employing vehicles structured to shield the System from UBIT. It is required that any investments structured to avoid taxation be designed such that secondary sales or replacement of the Investment Manager are not impeded.

H. LINES OF RESPONSIBILITY

Well-defined lines of responsibility and accountability will be required of all participants in ARMB's absolute return investment program. Participants are identified as:

1. ***Board of Trustees*** - The fiduciaries elected by the Public Employees and Teachers Retirement Systems and appointed by the Governor to represent the beneficiaries' interest.
2. ***Staff*** - Investment professionals on the staff of the Department of Revenue and assigned ARMB responsibilities who will assist in the absolute return investment program's design, policy implementation and administration.
3. ***Investment Manager(s)*** - Qualified fiduciaries that provide institutional absolute return investment management services and maintain a discretionary relationship with ARMB in implementing the absolute return program. In separate account relationships the Investment Manager must be a bank, insurance company, or a Registered Investment Advisor under the Investment Company Act of 1940, registered with the Security and Exchange Commission.

4. ***Consultant*** - Professionals retained to support ARMB through the provision of expert absolute return and alternative investment program knowledge and technical support.

The responsibilities, with respect to the absolute return portfolio, of the parties cited above are outlined in Section II.A.1-4.

II. PROCEDURES FOR INVESTMENT

A. GENERAL ALLOCATION OF RESPONSIBILITIES

The absolute return program shall be implemented and monitored through the coordinated efforts of the Board of Trustees for the Alaska Retirement Management Board (the "Board"); ARMB's Staff (the "Staff"); the qualified Investment Manager(s) (the "Manager") and the Consultant ("Consultant"). Delegation of responsibilities for each participant is described in the following sections.

1. Board of Trustees

Board of Trustees shall approve the investment policies and objectives which the Trustees judge to be appropriate and prudent to implement its strategic plan for the investment of ARMB's assets; review the performance criteria and policy guidelines for the measurement and evaluation of the investment managers of ARMB's assets; review the Consultant and Staff's recommendations to retain a qualified investment manager(s) and set discretionary investment limits; supervise the investment of ARMB's assets to ensure that ARMB's investments remain in accordance with the Board's strategic planning and the ARMB's Objectives and Policies and the *Absolute Return Policies and Procedures* documents. The Board shall select and make ongoing retention decisions regarding all service providers including the investment manager.

The Board of Trustees will guide the execution of the program by review and approval of long term target ranges for absolute return strategies prepared by Staff, which will be updated and revised periodically as appropriate. The Board will monitor the program's progress and results through a performance measurement report prepared quarterly by the Consultant and reviewed by Staff, and as appropriate shall consult with the Investment Advisory Council.

2. Staff

The Staff will develop draft investment objectives and policy language for Board consideration. The Staff will guide the execution of the program by developing long-term target ranges for absolute return strategies, which will be updated and revised periodically as appropriate. The Staff will also review the Manager's quarterly portfolio reports and review the Manager's and the portfolio's performance in relation to assigned responsibilities.

The Staff will coordinate program compliance among all participants and communicate the investment policies, objectives and performance criteria to the Investment Manager(s). The Staff will coordinate the receipt and distribution of capital.

Staff and Consultant will identify qualified Investment Manager(s) for implementation of absolute return investment program, and will advise the Board of Trustees of any material changes in the manager organization(s).

3. Investment Manager(s)

The Investment Manager(s) shall acquire and manage, on a discretionary basis, absolute return investments on behalf of ARMB and in accordance with the Investment Objectives as described in Section I of ARMB's *Absolute Return Policy and Procedures* document and the Investment Policies as described in Section II.

The asset allocation executed by the Manager will be dictated by the target strategy ranges established in the *Absolute Return Policies and Procedures*.

4. Consultant

As approved by the Board, the Consultant shall advise on program development, conduct Investment Manager searches when requested; and provide independent, third party advice and information. The Consultant will also be available to be retained to conduct special project work when requested by ARMB.

B. INVESTMENT PROCEDURE

Absolute return investments in compliance with ARMB's Policies Procedures shall be acquired through the following process:

Eligible Investments and Target Ranges: The Investment Manager shall construct an absolute return portfolio designed to meet ARMB's criteria as discussed in the document with particular focus on the expected return and volatility parameters and the risk management guidelines in Section I.

Specific Investments: The Investment Manager will identify underlying hedge funds that are in compliance with ARMB investment guidelines. The Investment Manager will be responsible for all aspects of evaluation and closing.

C. SPECIFIC MANAGER RESPONSIBILITIES

1. Funding Procedures

The Investment Manager shall provide ARMB, on a best efforts basis, with five (5) days notice of capital additions. ARMB shall also be provided with documented wiring instructions in advance.

2. Investment Management

Investment Managers are directly accountable for the following investment management responsibilities. This section designates certain investment responsibilities that the Investment Manager will perform or cause to be performed.

a. The Investment Manager will be responsible for evaluating investment opportunities and selecting, on a discretionary basis with fiduciary responsibility, absolute return investments to be made on behalf of ARMB. The screening and selection will be made with a view to maximize ARMB's risk adjusted rate of return, within the parameters and allocations of each absolute return strategy as set by the Board of Trustees in the Policies and Procedures.

b. Conduct full and proper due diligence while fully documenting the process. Due diligence will be conducted to a standard of completeness attributable to a prudent expert. The Investment Manager will make available for review by ARMB, or its agents, the Investment Manager policies, procedures, and standards for conducting due diligence, and the due diligence documentation performed on any investment made on ARMB's behalf. On-site visits by the Investment Manager at the underlying hedge fund manager's main office will be a mandatory part of investment due diligence.

c. With respect to limited partnerships, funds or other entities in which the Investment Manager invests, the Investment Manager shall require that each general partner, manager, or principal of such entity, as the case may be, provide written representation that each investment professional has not been convicted of any crime or found liable in a civil or administrative proceeding or pleaded no contest or agreed to any consent decree with respect to any matter involving breach of trust or fiduciary duty, fraud, securities law violations, violations of disclosure provisions in bankruptcy law regulations or any act or omission involving moral turpitude **OR** shall prior to entry into such investments inform ARMB that obtaining such representations is not possible or unnecessary under the circumstances presented.

d. Negotiate investment terms and conditions, partnership agreements and other closing documents on ARMB's behalf, with a view to maximize returns, minimize expenses, safeguard ARMB's assets, secure investor rights, and make investments on ARMB's behalf.

3. Ongoing Operations

The Investment Manager shall manage or cause to be managed by an external administrator acceptable to ARMB, each investment made such as to enhance ARMB's value in the investment. The Investment Manager shall be responsible for conducting or supervising the following services with respect to each investment:

a. Monitoring and Voting -- Maintaining close communication with the underlying hedge fund managers, maintaining an awareness of and documenting the progress and level of performance of each investment. As appropriate, this will include attendance at annual meetings and sitting on advisory boards. It will also involve voting on ARMB's behalf as the need arises.

b. Adding Value -- The Investment Manager shall take all necessary or appropriate steps consistent with applicable capital and operating budgets to assure ARMB's investment is managed to or above its anticipated performance level.

c. Disbursement, Receipt and Cash Management -- Develop procedures for funding commitments on a timely basis and coordinating the receipt of cash distribution from the investments, including a policy for the orderly liquidation of any in-kind distributions received.

d. Books and Records -- The Investment Manager and/or an external administrator shall maintain books of account with correct entries of all receipts and expenditures incident to the management of the investment. These books, together with all records, correspondence, files and other documents, shall at all times be open to the inspection of ARMB. The Investment Manager shall maintain complete and accurate records of all transactions related to the managed investment, including receipts and all correspondence relating thereto on such forms as ARMB's auditors may reasonably require and make such records available for inspection and copying by ARMB at all reasonable times. The Investment Manager shall bear the costs associated with the retention of such records and if ARMB shall request copies of such records, the Investment Manager shall bear the cost of duplicating and sending such records to ARMB.

e. On-Going Review -- The Investment Manager shall keep itself informed of the overall market conditions relative to the managed investments and the managed investments' competitive position in the applicable investment strategies. The Investment Manager will also be responsible for ensuring compliance with hedge fund agreements, attending to amendments, resolutions, voting proxies, and other investment related matters. All such activities will be undertaken with a view toward maximizing value to ARMB.

f. Disposition Review -- The Investment Manager shall review the managed investments with respect to continued timely return of capital, income and gains. The Investment Manager will be responsible for managing to cash any in-kind distributions received from the investments.

g. Notice -- The Investment Manager shall notify the Staff as soon as practicable in writing of any investigation, examination or other proceeding involving the investments or investment sponsors commenced by any regulatory agency or of any action, suit or proceeding commenced against or by the Investment Manager or an investment sponsor.

4. Portfolio Accounting and Financial Control

The Investment Manager shall be responsible for accounting, reporting and financial control and administration systems that shall at least meet the following objectives:

a. Financial/Accounting Control -- The Investment Manager and/or an external administrator or custodian will provide control systems to protect assets, detect errors and insure the reliability of information generated by the accounting system.

b. Investments' Financial Statements -- On at least a quarterly basis, unless specifically exempted by Staff, the Investment Manager will require from underlying hedge funds unaudited financial statements or capital balance statements, and annually, audited financial statements.

D. SPECIFIC CONSULTANT RESPONSIBILITIES

The Consultant will provide consultation on the initial development and ongoing review and recommendation of revisions to ARMB's Policies and Objectives as well as *Absolute Return Policies and Procedures*, and assist with Investment Manager searches when requested by ARMB. The Consultant will provide ongoing quarterly Investment Manager performance evaluation, independent third party advice and information, and will also be available to be retained to perform special projects as requested by the Board.

III. CONFIDENTIALITY

Pursuant to 15 AAC 112.770, ARMB shall withhold from other persons all information furnished to it by Investment Manager(s) or Consultant(s) which is reasonably designated by Investment Manager(s) or Consultant(s) as being confidential or proprietary, within the meaning of Alaska Statutes regarding rights to public information, except to the extent that the information is needed by ARMB in order to adequately report on the status and performance of the portfolio, or to comply with a court subpoena or with an official criminal investigation.

Those portions of reports provided pursuant to Section I.E of this document shall be considered confidential pursuant to 15 AAC 112.770 to the extent that information is reasonably designated by Investment Manager(s) as being confidential or proprietary, or to the extent the disclosure of which would unfairly prejudice the ability of Investment Manager(s) or ARMB to invest in the absolute return investment space.

IV. REVISIONS

This document will be reviewed no less than annually and revised as appropriate.