

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

Resolution 2018-06

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

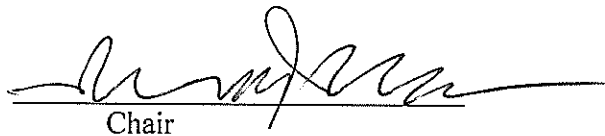
WHEREAS, the Board has established an asset allocation for the funds that considers earnings and liabilities on a current as well as a future basis; and

WHEREAS, the Board has authorized investment in international fixed income securities; and

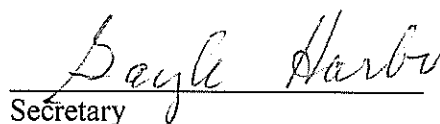
WHEREAS, the Board will establish and from time to time as necessary modify guidelines for fixed income securities;

NOW THEREFORE BE IT RESOLVED, that the Alaska Retirement Management Board adopts the International Fixed Income Guidelines, attached hereto and made a part hereof, regarding investment in international fixed income securities, and repeals and replaces Resolution 2012-23.

DATED at Anchorage, Alaska this 22d day of June, 2018.


Chair

ATTEST:


Secretary

INTERNATIONAL FIXED INCOME GUIDELINES

Purpose. The portfolio will have a primary emphasis on diversification, subject to defined constraints, to minimize risk.

- A. Investment Management Service to be Performed.** International 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 international and emerging markets fixed income securities. These securities will be selected and retained by the 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.
- B. Performance Standards.** Contractors are expected to have returns, net of fees, in excess of the appropriate benchmark over rolling 5-year periods. The Benchmark is a blend of 50% FTSE World Government Bond Index ex U.S. fully hedged in U.S. dollar terms, 25% J.P. Morgan Government Bond Index - Emerging Markets Global Diversified Index and 25% J.P. Morgan Emerging Bond Index – Global Diversified Bond Index (the “Benchmark”).
- C. Investment Structure.** Permissible international fixed income investments include:
1. Obligations of the United States government and foreign governments, sovereign states (including local currency emerging markets) and supranational entities.
 2. Obligations of the agencies of the above.
 3. Certificates of deposit.
 4. Corporate debt obligations.
 5. Commercial paper and euro commercial paper.
 6. Bankers’ acceptances.
 7. Repurchase agreements.
 8. Asset-backed obligations.
- D. Currency Allocation.** The Portfolio may take both long and short currency positions using currency forwards, which may be held without owning securities denominated in such currencies.
- E. Portfolio Constraints.** Contractors are authorized to invest or reinvest or dispose of any cash or securities held in their account or invest the proceeds of any disposition, provided that:
1. The portfolio's duration may not exceed a band of +/- 25% around the duration of the Benchmark.
 2. No more than 10% of an outstanding non-government issue or non-government agency issue may be acquired.

3. No more than 5% of the portfolio's assets by market value may be invested in the corporate bonds of any one company or affiliated group.
4. Certificates of deposit must have been issued in a currency of an allowable country and must be readily saleable in a recognized secondary market for such instruments.
5. No more than 20% of the Portfolio, measured on the date of purchase, may be invested in corporate debt obligations.
6. Asset-backed obligations must be rated investment grade or better by a recognized credit rating agency. In the event a split rating exists, the lower of the ratings shall apply for evaluating credit quality.
7. Obligations are restricted to those denominated in the currencies as listed below. The following are allowable currency and sovereign issuer weightings:

The minimum issuer exposure for all Countries is zero.

The minimum currency exposure is zero if the Country is not in the FTSE WGBI Index, otherwise the maximum negative currency exposure will be no greater than the FTSE WGBI ex U.S. Index Country Weight.

Country	Maximum Issuer Exposure	Maximum Currency Exposure
Except as specified below, all other Countries in the Benchmark, on an individual basis	10	10
Australia	20	20
Brazil	10	10
Canada	25	25
China	10	10
Denmark	20	20
Euro*	80	80
Hungary	10	10
India	10	10
Israel	10	10
Japan	60	60
Mexico	10	10
New Zealand	15	15
Norway	20	20
Poland	15	15
Singapore	15	15

South Korea	10	10
Sweden	20	20
UK	30	30
United States	60	100
For each new Country entered into the Benchmark, on an individual basis	10	10

***Eurozone sovereign issuers in the aggregate**

F. Required Remedies. Recognizing that ratings and relative asset worth may change, the Contractor shall liquidate invested securities with care and prudence when the relative market value of an investment type limited by these guidelines exceeds the levels of holdings permitted. 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.