

State of Alaska  
ALASKA RETIREMENT MANAGEMENT BOARD  
Relating to Infrastructure Investment Guidelines

Resolution 2023-16

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

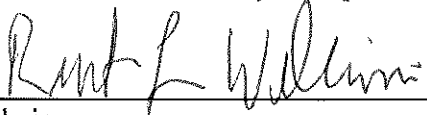
WHEREAS, the Board has authorized investment in real estate assets for the Public Employees' Retirement System, Teachers' Retirement System, and Judicial Retirement System, including investments for those systems in the State of Alaska Retirement and Benefit Plans Trust; and

WHEREAS, the Board establishes and from time to time as necessary, modifies investment policies, procedures, and guidelines for real estate;


NOW THEREFORE, BE IT RESOLVED THAT THE ALASKA RETIREMENT MANAGEMENT BOARD adopts the Infrastructure Investment Guidelines, attached hereto and made a part hereof.

This resolution repeals and replaces Resolution 2022-15.

DATED at Anchorage, Alaska this 15<sup>th</sup> day of September, 2023.

  
Chair

ATTEST:

  
Secretary

## Infrastructure

### ARMB Investment Guidelines

In addition to the Infrastructure Guidelines, public infrastructure investments shall comply with ARMB's Investment Guidelines for Domestic, International and Alternative Equities.

#### **Section 1. Investment Objective**

To develop a diversified portfolio of infrastructure investments with a focus on total return which will seek to produce a net-of-fee total return between public equities and fixed income over rolling six-year periods. Each ARMB infrastructure advisor will place an emphasis on the preservation of capital and diversify the infrastructure investments to minimize risk. To the extent return objectives can be met, current income shall be given preference over appreciation.

#### **Section 2. ARMB Infrastructure Advisor Selection**

ARMB will select qualified investment managers who have the discretion to invest in infrastructure. In order for entities to be considered, the entity must demonstrate that it is able to add value through its infrastructure knowledge, experience and strategy; evaluate the risks of each infrastructure investment which is contemplated; and comply with these ARMB Infrastructure Investment Guidelines.

ARMB will implement an investment process for infrastructure which will, over time, include a minimum of two private investment advisors who have been selected on a competitive basis. Each ARMB infrastructure investment advisor will provide services according to an agreed upon investment management agreement (contract) and the ARMB Investment Guidelines. ARMB will endeavor to allocate specific funds to each ARMB infrastructure investment advisor. ARMB infrastructure advisors will invest funds on a discretionary basis in infrastructure investment opportunities to the extent of its specific allocation.

Compensation for investment management services will be done on a fee basis that is competitive. The preferred method of calculating ARMB infrastructure investment advisor fees will be based upon a formula, which considers 1) the cost basis of assets under management and 2) market value of the assets under management.

#### **Section 3. Allocation**

ARMB's allocation to infrastructure investments shall be determined by the Board of Trustees and reviewed annually.

**CIO Discretionary Investment Authority** – The CIO shall have the following discretionary investment authority:

- a) To increase or decrease existing separate account allocations and investments in open-end funds;
- b) To commit to new investment funds up to \$100 million for each fund; and,
- c) To engage consultants and take other action as may be necessary to ensure sufficient due diligence is performed on all investments under consideration.

The CIO shall exercise this discretion within Board approved asset allocations, investment plans, and guidelines as they may apply.

The CIO will provide prior notification to the Chair of ARMB before committing to any investments under this authority. All discretionary CIO investment actions shall be reported to the Board.

#### **Section 4. Performance Benchmark**

The benchmark for the total infrastructure portfolio will be CPI + 4%. Investment managers for public stock portfolios will be allowed to use their preferred infrastructure benchmark. Private investment advisors will be evaluated based on the income and total return objectives of their strategies. The inflation index used to calculate the actual real rate of return is the CPI All Urban.

#### **Section 5. Investment Constraints**

- (a) Private infrastructure investment strategies shall be constrained by the partnership agreements and other agreements establishing the contractual arrangement with ARMB's infrastructure investment advisors.
- (b) Location: No more than 10% of ARMB's infrastructure investments shall be located in emerging markets.
- (c) Strategy: No more than 20% of ARMB's infrastructure investments shall be focused on development of infrastructure assets.
- (d) Diversification and Concentration: Each ARMB infrastructure advisor shall ensure that the infrastructure investments under its control are adequately diversified in the context of its investment strategy.
- (e) Leverage: The total amount of leverage utilized by private infrastructure managers shall not exceed 75% of the value of the asset as measured at the time the leverage is placed on the asset. Public infrastructure investment managers shall not use leverage.

## **Section 6. Ownership Structure**

Private infrastructure investments will be owned in a structure designed to limit ARMB's liability to the amount of its investment and, where feasible, to recognize and preserve tax-exempt status.

## **Section 7. Reporting System**

Staff will develop and implement a comprehensive and responsive reporting and monitoring system for each ARMB infrastructure advisor.

## **Section 8. Lines of Responsibility**

The infrastructure investment program will be implemented and monitored through the coordinated efforts of the ARMB, staff, and the ARMB infrastructure advisors. A description of the program participants and their general responsibilities are as follows:

ARMB – The statutorily created board which is the fiduciary for the retirement trust funds, comprised of trustees appointed by the Governor to represent the beneficiaries' interest. ARMB hires qualified infrastructure investment advisors and consultants, approves the ARMB Investment Guidelines and revisions to them, and approves the Annual Investment Plan prepared by staff.

Staff - Investment professionals on staff at the Department of Revenue assigned to ARMB infrastructure investments, which will assist in the program's design, policy implementation, and administration. Staff will recommend revisions to the Infrastructure Investment Guidelines as may be necessary from time to time to ARMB.

Annually, staff will prepare an Annual Investment Plan. This document will recommend, as appropriate, revisions to the overall infrastructure investment strategy, revisions to the Infrastructure Investment Guidelines, and make recommendations for additional allocations as may be desirable.

ARMB Infrastructure Advisors – Qualified entities selected by ARMB that provide institutional infrastructure investment management services to ARMB. ARMB Infrastructure Advisors will invest and manage the portfolios in accordance with their contracts.

## **Section 9. Confidentiality**

Pursuant to 15 AAC 112.770, ARMB shall withhold from other persons all information furnished to it by ARMB Infrastructure Advisor(s) or consultant(s) which is reasonably designated by ARMB Infrastructure Advisor(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 the Agreement with ARMB Infrastructure Advisor(s) shall be considered confidential pursuant to 15 AAC 112.770 to the extent that information is reasonably designated by ARMB Infrastructure Advisor(s) as being confidential or proprietary, or to the extent the disclosure of which would unfairly prejudice the ability of ARMB Infrastructure Advisor(s) or ARMB to manage, lease, market or sell such property or assets.

**Section 10. Revisions**

The ARMB Investment Guidelines are to be reviewed no less than annually and revised as appropriate.

**Section 11. ARMB Infrastructure Advisors**

The following entities have been selected and appointed as ARMB Infrastructure Advisors to acquire infrastructure investments on a discretionary basis for the Alaska Retirement Management Board:

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| <b>IFM Investors</b><br>114 West 47 <sup>th</sup> Street<br>New York, NY 10036<br>Phone: 212-784-2260<br><a href="http://www.ifminvestors.com">www.ifminvestors.com</a>                     |  |
| <b>JPMorgan Asset Management</b><br>270 Park Avenue, 7 <sup>th</sup> Floor, NY1-K141<br>New York, NY 10017<br>Phone: 212-648-2219<br><a href="http://www.jpmorgan.com">www.jpmorgan.com</a> |  |