

AKUTAN • COLD BAY • NELSON LAGOON

ALEUTIANS EAST



BOROUGH

FALSE PASS • KING COVE • SAND POINT

**ALEUTIANS EAST BOROUGH
ORDINANCE SERIAL NO. 12-04**

**AN ORDINANCE AMENDING TITLE 6, CHAPTER 6.04, SECTION 6.04.041,
SUBSECTION (F) OF THE ALEUTIANS EAST BOROUGH
CODE OF ORDINANCES**

WHEREAS, the legislative power of the Aleutians East Borough (“Borough”) is vested in its Borough Assembly under Alaska State Statute Sec. 29.20.050; and

WHEREAS, the Borough’s Permanent Fund was created by the Borough Assembly in 1990 and

WHEREAS, Sec. 6.08.010 of the Code of the Aleutians East Borough of Alaska sets forth the investment policy and objectives for Borough monies; and

WHEREAS, under Sec. 6.08.010(C) of the Code, all Borough “investments shall be diversified to minimize the risk of loss”; and

WHEREAS, Sec. 6.04.041(F)(2) currently sets the Borough’s Permanent Fund asset allocation targets and ranges as follows:

Asset Class	Target %	Weighting	Range %
Domestic Equity	40		30-50
Mid / Cap. Equity	6		0-10
International Equity	10		5-15
Real Estate Equity	10		5-15
Fixed Income	34		25-60

; and

WHEREAS, through this amendment, the Borough Assembly adds emerging markets to its Permanent Fund asset class thereby setting the Borough’s new Permanent Fund asset allocation targets and ranges as follows:

Asset Class	Target % Weighting	Range %
Domestic Equity	36	30-50
Mid / Cap. Equity	5	0-10
International Equity	10	5-15
Real Estate Equity	10	5-15
Fixed Income	34	25-60
Emerging Markets	5	0-10

; and

WHEREAS, pursuant to Sec. 6.04.041(F) “[n]otwithstanding the objectives of the Borough policy for the investment of its operating and other funds set out in Code Section 6.08.010(C), the investment of permanent fund assets shall be made to maintain safety of principle while maximizing total return”; and

WHEREAS, this amendment to Sec. 6.04.041(F) is consistent with Sec. 6.08.010(C) and Sec. 06.04.041(F) and is intended to ensure Borough permanent fund account investments be made to maintain safety of principle while maximizing total return.

NOW, THEREFORE, BE IT:

Section 1. That Section 6.04.041 (F) of the Borough Municipal Code is hereby amended to read as follows:

F. Investments – Purpose and Limitations.

A purpose of the permanent fund is growth through prudent investment of fund assets. Notwithstanding the objectives of the Borough policy for the investment of its operating and other funds set out in Code Section 6.08.010(C), the investment of permanent fund assets shall be made to maintain safety of principal while maximizing total return. Investments shall be diversified to minimize the risk of loss resulting from a concentration of investments in a specific maturity, issuer, class of security, financial institution or, with respect to equity investments, in a specific company, industry or investment sector. Fund assets may be invested in the instruments and securities set out in Code Section 6.08.030 and in the following securities:

- (1) (a) Domestic Equities, which taken as a whole, attempt to replicate the Standard & Poor’s 500 Index, including both mutual funds and exchange traded funds (ETF’s).

(b) International Equities, which taken as a whole, attempt to replicate the Morgan Stanley Europe, Australasia, Far East (EAFE) Index, including both mutual funds and exchange traded funds (ETF's).

(c) Equities, which taken as a whole, attempt to replicate the universe of domestic real estate investment trusts as represented by the S&P REIT Index or the Cohen & Steers Realty Majors Portfolio Index, including both mutual funds and exchange traded funds (ETF's).

(d) Domestic Equities, which taken as a whole, attempt to replicate the Standard & Poor's 400 MidCap Index, including both mutual funds and exchange traded funds (ETF's).

(e) Emerging markets equity index funds, which taken as a whole, attempt to replicate the MSCI Emerging Market Index, including both mutual funds and exchange traded funds (ETF's).

(2) Permanent Fund asset allocation plan and performance measurement targets.

The asset allocation targets and ranges are as follows:

Asset Class	Target % Weighting	Range %
Domestic Equity	40 <u>36</u>	30-50
Mid / Cap. Equity	6 <u>5</u>	0-10
International Equity	10	5-15
Real Estate Equity	10	5-15
Fixed Income	34	25-60
<u>Emerging Markets</u>	<u>5</u>	<u>0-10</u>

(3) The Performance of the investment advisors will be measured as follows:

(a) Performance measurement for the Domestic Equity Allocation will be measured against the Target Weighting, using the Standard & Poor's 500 as the Benchmark.

(b) Performance measurement for the Mid/Small Cap Equity Allocation will be measured against the Target Weighting, using the Standard & Poor's 400 MidCap Index as the Benchmark.

(c) Performance measurement for the International Equity Allocation will be measured against the Target weighting using the Morgan Stanley Europe, Australiasia, Far East (EAFE) Index for the Benchmark.

(d) Performance measurement for the Real Estate Allocation will be measured against the Target weighting using the Standard & Poor's REIT Index for the Benchmark.

(e) Performance measurement for the Fixed Income Allocation will be measured against the Target weighing using the Lehman Intermediate Gov/Credit Index for the Benchmark. The duration of the Fixed Income Allocation should be maintained between 80% and 120% of the duration of the Benchmark.

(f) Performance measurement for the Emerging Market Allocation will be measured against the Target weighting using the MSCI Emerging Market Index for the Benchmark.

Section 2. Classification. This ordinance is of a general and permanent nature and shall become part of the Borough Code.

Section 3. Severability. If any provision of this ordinance or any application thereof to any person or circumstance is held invalid, the remainder of this ordinance and the application to other persons or circumstances shall not be affected thereby.

Section 4: Effectiveness. This ordinance shall become effective upon adoption.

Section 5: Adoption of Sections. Code Section 6.04.041(F) is hereby repealed and Code Section 6.04.041(F) as annexed hereto as part of this ordinance is hereby adopted as Code Section 6.04.041(F) of the Code of Ordinances of the Aleutians East Borough.

INTRODUCED: 3/8/12

ADOPTED: 3/21/12



Stanley Mack, Mayor

Date: 3/21/12

ATTEST:


CLERK

Date: 3/21/12

F. Investments – Purpose and Limitations.

A purpose of the permanent fund is growth through prudent investment of fund assets. Notwithstanding the objectives of the Borough policy for the investment of its operating and other funds set out in Code Section 6.08.010(C), the investment of permanent fund assets shall be made to maintain safety of principal while maximizing total return. Investments shall be diversified to minimize the risk of loss resulting from a concentration of investments in a specific maturity, issuer, class of security, financial institution or, with respect to equity investments, in a specific company, industry or investment sector. Fund assets may be invested in the instruments and securities set out in Code Section 6.08.030 and in the following securities:

- (1) (a) Domestic Equities, which taken as a whole, attempt to replicate the Standard & Poor’s 500 Index, including both mutual funds and exchange traded funds (ETF’s).
 - (b) International Equities, which taken as a whole, attempt to replicate the Morgan Stanley Europe, Australiasia, Far East (EAFE) Index, including both mutual funds and exchange traded funds (ETF’s).
 - (c) Equities, which taken as a whole, attempt to replicate the universe of domestic real estate investment trusts as represented by the S&P REIT Index or the Cohen & Steers Realty Majors Portfolio Index, including both mutual funds and exchange traded funds (ETF’s).
 - (d) Domestic Equities, which taken as a whole, attempt to replicate the Standard & Poor’s 400 MidCap Index, including both mutual funds and exchange traded funds (ETF’s).
 - (e) Emerging markets equity index funds, which taken as a whole, attempt to replicate the MSCI Emerging Market Index, including both mutual funds and exchange traded funds (ETF’s).
- (2) Permanent Fund asset allocation plan and performance measurement targets.

The asset allocation targets and ranges are as follows:

Asset Class	Target % Weighting	Range %
Domestic Equity	36	30-50
Mid / Cap. Equity	5	0-10
International Equity	10	5-15
Real Estate Equity	10	5-15
Fixed Income	34	25-60
Emerging Markets	5	0-10

- (3) The Performance of the investment advisors will be measured as follows:

- (a) Performance measurement for the Domestic Equity Allocation will be measured against the Target Weighting, using the Standard & Poor's 500 as the Benchmark.
- (b) Performance measurement for the Mid/Small Cap Equity Allocation will be measured against the Target Weighting, using the Standard & Poor's 400 MidCap Index as the Benchmark.
- (c) Performance measurement for the International Equity Allocation will be measured against the Target weighting using the Morgan Stanley Europe, Australiasia, Far East (EAFE) Index for the Benchmark.
- (d) Performance measurement for the Real Estate Allocation will be measured against the Target weighting using the Standard & Poor's REIT Index for the Benchmark.
- (e) Performance measurement for the Fixed Income Allocation will be measured against the Target weighing using the Lehman Intermediate Gov/Credit Index for the Benchmark. The duration of the Fixed Income Allocation should be maintained between 80% and 120% of the duration of the Benchmark.
- (f) Performance measurement for the Emerging Market Allocation will be measured against the Target weighting using the MSCI Emerging Market Index for the Benchmark.