

Introduced by: Council Member Therrien
Permanent Fund Review Board Approval: July 19, 2017
Finance Committee Review: August 1, 2017
Introduced: August 7, 2017

ORDINANCE NO. 6058, AS AMENDED

AN ORDINANCE AMENDING FAIRBANKS GENERAL CODE SECTIONS 2-260 AND 2-261 REGARDING THE AUTHORIZED INDEX LANGUAGE AND ASSET ALLOCATIONS IN THE CITY PERMANENT FUND INVESTMENT POLICY

WHEREAS, the City Council established the investment policy of the City Permanent Fund by terms codified in Fairbanks General Code (FGC) Sections 2-260 and 2-261; and

WHEREAS, the City's Permanent Fund Investment Manager, Alaska Permanent Capital Management (APCM), recommends that Sections 2-260(b) and 2-261(c) be amended to clarify that small cap investments are authorized investments within the City's Permanent Fund and to establish the performance benchmarks for both small cap investments and cash/1-3 month Treasuries; and

WHEREAS, the Permanent Fund Review Board supports and recommends these changes

NOW, THEREFORE, BE IT ENACTED BY THE CITY COUNCIL OF THE CITY OF FAIRBANKS, ALASKA, as follows:

SECTION 1. Fairbanks General Code Section 2-260 Permanent Fund Investment Policy, Procedure and Governance, subsection (b), is amended as follows [new text in **underline bold** font; deleted text in ~~font~~]:

Sec. 2-260. Permanent fund investment policy, procedure and governance

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(b) *Investment policy.* The investment policy of the city is to allow only the following investment vehicles.

- (1) Obligations of or obligations insured or guaranteed by the United States or agencies or instrumentalities of the United States;
- (2) Bonds or other taxable yield U.S. dollar denominated debt instruments of this state, its agencies, municipalities, any other state, or corporation which at the time of investment have an investment grade rating of a nationally recognized rating agency; if the rating of a bond becomes less than investment grade and has a maturity greater than one year, it must be sold in an orderly manner within 90 days of downgrading;
- (3) Bank certificates of deposit which are insured or secured as to the payment of principal and interest;

- (4) Corporate obligations of investment grade quality as recognized by a nationally recognized rating organization. If, after purchase, these obligations are downgraded below investment grade, they shall be sold in an orderly manner within 90 days of downgrading. In no circumstance shall any bond be purchased after January 1, 2009 with a yield to maturity that exceeds 600 basis points above a comparable duration treasury note/bond at the date of purchase;
- (5) Short term investment funds (STIF) which are limited to investments set forth in subsections (b)(1)-(4) of this section or the Alaska Municipal League Investment Pool as set forth in state statute;
- (6) Domestic equities, which taken as a whole, attempt to replicate the Standard & Poor's 500 Index, or a substantially similar index, including both mutual funds and exchange traded funds (ETF's);
- (7) International equities, which taken as a whole, attempt to replicate the FTSE Developed ex North America Index or Morgan Stanley Capital International Europe, Australasia and Far East (MSCI EAFE) or a substantially similar index, including both mutual funds and exchange traded funds (ETF's);
- (8) Equities, which taken as a whole, attempt to replicate the universe of domestic real-estate investment trusts, including both mutual funds and exchange traded funds (ETF's);
- (9) Domestic equities, which taken as a whole, attempt to replicate the S&P 400 MidCap Index, or a substantially similar index, including both mutual funds and exchange traded funds (ETF's);
- (10) Commodities, which taken as a whole, attempt to replicate a broad based commodity index, such as the ~~Dow Jones-UBS Commodity Index~~ Bloomberg Commodity Index, including mutual funds, exchange traded funds (ETF's) and exchange traded notes (ETN's);
- (11) Emerging markets equity index funds, which taken as a whole, attempt to replicate the FTSE Emerging Market Index or Morgan Stanley Capital International Emerging Markets Index (MSCI EMERGING) or a substantially similar index, including both mutual funds and (ETF's);
- (12) International Bond index funds, which taken as a whole, attempt to replicate Barclays Global Aggregate ex-USD Float Adjusted RIC Capped Index, including both mutual funds and ETF's;

- (13) U.S. Treasury Inflation Protected Securities (TIPS), and/or mutual funds or ETF's which attempt to replicate the Barclays Capital U.S. Treasury Inflation Protected Securities Index;
- (14) Domestic equities, which taken as a whole, attempt to replicate the Standard & Poor's SmallCap 600 Index, or a substantially similar index, including both mutual funds and exchange traded funds (ETF's).

SECTION 2. Fairbanks General Code Section 2-261 Permanent Fund Asset Allocation Plan and Performance Measurement Targets, subsection (c), is amended as follows [new text in **underline bold** font; deleted text in ~~strikethrough~~ font]:

Sec. 2-261. Permanent fund asset allocation plan and performance measurement targets.

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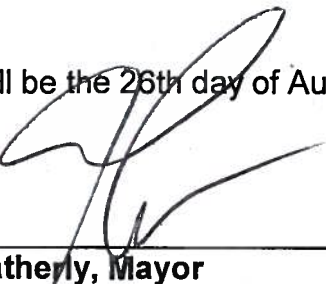
(c) The performance of the investment advisors for the overall portfolio will be measured against the weighted blended target allocation plus 50 basis points (0.5%). Components of the portfolio will be measured as follows:

- (1) Performance measurement of the Domestic Equity allocation will be measured against the Target Weighting, using the Standard & Poor's 500 as the benchmark.
- (2) Performance measurement for the Mid Cap Equity allocation will be measured against the Target Weighting, using the Standard & Poor's 400 MidCap Index as the benchmark.
- (3) Performance measurement for the International Equity allocation will be measured against the target weighting using the FTSE Developed ex North America Index or Morgan Stanley Capital International Europe, Australasia and Far East (MSCI EAFE) or a substantially similar index for the benchmark.
- (4) Performance measurement for the real estate allocation will be measured against the target weighting using the Standard & Poor's REIT Index for the benchmark.
- (5) Performance measurement for the U.S. Bond allocation will be measured against the target weighting using the Barclays Capital U.S. Aggregate Bond Index for the benchmark. Duration should be maintained between 80 percent and 120 percent of the duration of the benchmark.
- (6) Performance measurement of the commodity allocation will be measured against the target weighting, using a broad based

index such as the ~~Dow Jones UBS Commodity Index~~ **Bloomberg Commodity Index**, selected by the Permanent Fund Review Board.

- (7) Performance measurement for the emerging markets equity allocation will be measured against the target weighting using the FTSE Emerging Market Index or Morgan Stanley Capital International Emerging Markets Index (MSCI EMERGING) or a substantially similar index for the benchmark.
- (8) Performance measurement for the international bond allocation will be measured against the target weighting using the Barclays Global Aggregate ex-USD Float Adjusted RIC Capped Index.
- (9) Performance measurement for the U.S. Treasury Inflation Protected Securities (TIPS) allocation will be measured against the target weighting using the Barclays Capital U.S. Treasury Inflation Protected Securities Index.
- (10) Performance measurement for the Small Cap Equity allocation will be measured against the Target Weighting, using the Standard & Poor's SmallCap 600 Index as the benchmark.**
- (11) Performance measurement for the Cash/1-3 month Treasuries will be measured against the Target Weighting, using the Citigroup 3-month Treasury Bill Index as the benchmark.**

Section 3: That the effective date of this Ordinance will be the 26th day of August 2017.



Jim Matherly, Mayor

AYES: Therrien, Pruhs, Bagwill, Huntington, Cleworth
NAYS: None
ABSENT: Rogers
ADOPTED: August 21, 2017

ATTEST:

APPROVED AS TO FORM:



D. Danyielle Snider, CMC, City Clerk



Paul J Ewers, City Attorney