

Memo

Thru: Mark Gorman, Municipal Administrator

To: City and Borough of Sitka Assembly

From: Jay Sweeney, Chief Finance and Administrative Officer *JS 7/5/16*

Date: July 1, 2016

Re: **Changes to Sitka General Code Regarding Permanent Fund Asset Mix**

Mayor McConnell and Assembly Members,

The Investment Committee has discussed appropriate mix of assets within the Permanent Fund, and, what the governing language in the Sitka General Code regarding this mix. Currently, the maximum amount of equity assets within the Permanent Fund should not exceed 65% of the market value of the Fund. The Municipality's Permanent Fund Manager, Alaska Permanent Capital Management (APCM) recommends that a target benchmark be established, and, that language be added to allow for equity assets to fall within a range of the benchmark. APCM also recommends that a similar benchmark and range be established for the minimum amount of equity assets in the Fund. APCM also recommends that existing language directing equity investments to fall within certain sub-thresholds be revised. APCM feels that the language limits its ability to optimally manage the fund.

The Investment Committee concurs with APCM recommendations.

CITY AND BOROUGH OF SITKA

ORDINANCE NO. 2016-24

AN ORDINANCE OF THE CITY AND BOROUGH OF SITKA AMENDING CHAPTER 4.28 "INVESTMENT POLICY" BY REPLACING SECTION 4.28.120 "ASSETS MIX POLICY FOR THE PERMANENT FUND", WITH 4.28.120 "ASSETS MIX POLICY"

1. **CLASSIFICATION.** This ordinance is of a permanent nature and is intended to become a part of the Sitka General Code.

2. **SEVERABILITY.** If any provision of this ordinance or any application to any person or circumstance is held invalid, the remainder of this ordinance and application to any person or circumstances shall not be affected.

3. **PURPOSE.** The purpose of this ordinance is to revise the assets mix policy of the Sitka General Fund.

4. **ENACTMENT.** NOW, THEREFORE, BE IT ENACTED by the Assembly of the City and Borough of Sitka that Section 4.28.120 of the Sitka General Code replaced in its entirety by the following (new language underlined, deleted language stricken):

Chapter 4.28
INVESTMENT POLICY

Sections:

- 4.28.010 Scope.
4.28.020 Standards of care.
4.28.030 Safekeeping and custody.
4.28.040 Reporting.
4.28.050 General objectives—Pooled investments.
4.28.060 Suitable and authorized investments for pooled investments.
4.28.070 Investment parameters.
4.28.100 General objectives—Permanent fund.
4.28.110 Suitable and authorized investments for the permanent fund.
4.28.120 Assets mix policy for the permanent fund.
4.28.130 Policy considerations.

4.28.120 Assets mix policy for the permanent fund.
Investment of the permanent fund assets shall be made in accordance with the minimum and maximum range for each assets category as indicated below:

Asset Category	Minimum %	Target %	Maximum %
Cash equivalents*	0	5	25
Fixed income	25	35	45
Equities:			
Growth	20	25	30
Value	20	25	30
Foreign	0	10	15

50 ~~*Cash equivalents are defined as less than one-year maturities. Fixed income investments can~~
51 ~~be invested in cash equivalents as necessary.~~

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53 **4.28.120 Assets Mix Policy.** The Investment Managers of the Sitka Permanent Fund shall
54 employ a total return investment strategy in their choice of investments for the Permanent
55 Fund and shall have discretion to change the asset mix and composition of the Portfolio to
56 maximize return, subject to the following broad restrictions:

57 A. The overall benchmark percentage of equities contained in mutual funds, or
58 exchange traded funds, owned by the Permanent Fund shall be 65% of the total market value
59 of the Fund and shall fall within a range of 55% to 75% of the total market value of the Fund.

60 B. The overall benchmark percentage of debt and cash equivalent investments owned
61 by the Permanent Fund shall be 35% of the total market value of the Fund and shall fall within
62 a range of 25% to 45% of the total market value of the Fund.

63 C. Sub-allocations within asset classes shall be determined by the Investment
64 Committee, as necessary and appropriate, and shall be recommended to the Assembly for
65 adoption by Resolution.

66 D. No prohibited investments as defined and set forth in Section 4.28.110 of the Sitka
67 General Code shall be made.

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71 **5. EFFECTIVE DATE.** This ordinance shall become effective on the day after the date
72 of its passage.

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74 **PASSED, APPROVED, AND ADOPTED** by the Assembly of the City and Borough of
75 Sitka, Alaska this 26th day of July, 2016.

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79 Mim McConnell, Mayor

80 **ATTEST:**

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83 Sara Peterson, CMC
84 Municipal Clerk