



Date: **February 07, 2024**
Project: **AIDEA Banking and Trust Services**
Solicitation No.: **RFP 24071**
Addendum No. **Two**

TO ALL PLANHOLDERS:

The enclosed addendum amends the documents for the above referenced Project:

1. REQUEST: Please provide with the link for the Resolution Relating To Fixed-Income Investment Policies

ANSWER: Please find attach a copy of the resolution requested:

<https://www.aidea.org/Portals/0/AIDEA%20Documents/AIDEAInvestmentPolicy.pdf?ver=RnXAbCsyAfsDs41f9ZZPdw%3d%3d>

RESOLUTION NO. G21-25

Amended and restated Resolution of The Alaska Industrial Development and Export Authority Relating to Fixed-Income Investment Policies

END OF ADDENDUM

We appreciate your participation in this solicitation.

Sincerely,
Daniela Patterson
AIDEA Contracting Officer

ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY

RESOLUTION NO. G21-25

**AMENDED AND RESTATED RESOLUTION OF THE ALASKA
INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY
RELATING TO FIXED-INCOME INVESTMENT POLICIES**

WHEREAS, AS 44.88.080(10) provides that the Alaska Industrial Development and Export Authority (“Authority”) has the power to invest its funds, subject to agreements with bondholders;

WHEREAS, AS 44.88.060 provides that the Authority has the powers and responsibilities established in AS 37.10.071 with respect to the investment of amounts held in the Revolving Fund of the Authority;

WHEREAS, AS 44.88.660 provides that the Authority has the powers and responsibilities established in AS 37.10.071 with respect to the investment of amounts held in the Sustainable Energy Transmission and Supply Development (“SETS”) Fund;

WHEREAS, AS 44.88.810 provides that the Authority has the powers and responsibilities established in AS 37.10.071 with respect to the investment of amounts held in the Arctic Infrastructure Development Fund;

WHEREAS, AS 37.10.071 provides that the prudent investor rule shall apply to the fiduciary of a State of Alaska fund;

WHEREAS, it is in the best interest of the Authority to set out in detail the investment policies of the Authority;

WHEREAS, Resolution G01-14 adopted policies and guidelines to be followed in the investment of Authority assets;

WHEREAS, Resolution G01-14A, Resolution G01-14B, Resolution G01-14C and Resolution G01-14D amended and restated Resolution G01-14; and

WHEREAS, the Board desires to amend and restate Resolution G01-14 again in this new resolution to reflect changes in the Authority’s investment policies.

NOW, THEREFORE BE IT RESOLVED by the Board that the following policies and guidelines are to be followed in the investment of Authority assets:

I. Investment Policy for External Advisor–Managed Investment Assets

The intent of the following policy is that the Executive Director will enter an Investment Management Agreement (“IMA(s)”) with external investment advisors (“Investment Manager(s)”).

A. The Board authorizes the Executive Director to provide for investment in the specific instruments set forth in this section at his discretion and within the prohibitions and descriptions set forth. The Executive Director is authorized to enter into an IMA on such terms and conditions as he considers necessary to carry out the purposes of this section. In addition to the authorized investments presented herein, the IMA will provide guidelines relating to, among other things, the maximum non-U.S. dollar denominated currency exposure permitted. Such non-U.S. dollar denominated investments are permitted provided that the greater of \$200 million or 60% of the externally managed investment portfolios in aggregate shall be invested in U.S. dollar denominated investments. The IMA will also provide guidelines relating to cost, minimum safekeeping requirements and reporting requirements.

B. Authorized debt investments for U.S. dollar denominated portfolios include:

1. Eligible long term securities

Investment Managers may invest in debt instruments issued or guaranteed by the U.S. Government, its agencies and instrumentalities, and Government Sponsored Enterprises (GSEs). Investment Managers may also purchase dollar- denominated debt instruments that have been issued by domestic and non-domestic entities. Eligible corporate investments include cumulative capital securities, Real Estate Investment Trust (REIT) debt obligations, equipment trust securities, enhanced equipment trust securities, and pass-through securities.

Investments must carry a rating of BB or above, at the time of purchase (subject to the BBB- weighted average credit quality of the portfolio), or if any investment is unrated or becomes unrated, the Investment Manager must deem the investment to be of investment grade credit quality (BBB- or above). The total of unrated investments may not exceed five percent (5%) of the Investment Manager's portfolio value and the unrated investments of a single issuer may not exceed 2% of the Investment Manager's portfolio value.

Investment Managers shall assign a rating for purposes of determining compliance with quality guidelines which will be the middle rating if ratings are provided by Moody's, Standard & Poor's, and Fitch; the lower rating if only two ratings exist; and the rating provided if only one rating exists. If a security is unrated, the Investment Manager shall assign an internal rating for compliance purposes. In the event that the rating of a security is downgraded below investment grade while the security is owned by AIDEA (including an unrated investment assigned a rating by the Investment Manager), it will no longer be eligible for purchase if the weighted average credit quality of the portfolio falls below BBB- (investment grade). If the security that is downgraded causes the weighted average credit quality of the portfolio to fall below BBB- (investment grade), the Investment Manager will immediately report the downgrade to AIDEA with a plan of action for monitoring the security and its orderly disposition within a six-month period. If the Investment Manager believes that the security is undervalued, the Investment Manager may request that the Executive Director grant an additional six months in which to liquidate the security; the request shall be in writing and support the Investment Manager's position that the investment is undervalued. In either case, the Investment Manager will reposition the portfolio within 6 months to represent a minimum weighted average credit quality of BBB-.

Mortgage-backed securities issued or guaranteed by Federal agencies or GSEs are permitted, as are asset backed securities, including collateralized mortgage backed securities (CMBS) and collateralized mortgage obligations (CMOs). CMOs are limited to the more stable classes, including (but not limited to) Planned Amortization Class (PAC(1)'s), Very Accurately Defined Mortgages

(VADM), Accretion Directed (AD), Z (accrual) tranches, and Sequential Pay CMOs. Prohibited CMO classes include those where principal and interest components are separated or where leverage is employed; examples include Interest Only, Principal Only, and inverse floating rate notes.

2. *Certificates of Deposit and Term Deposits*

Certificates of deposit and term deposits of United States domestic financial institutions which are members of the Federal Deposit Insurance Corporation provided that such entities have the highest credit rating assigned by a nationally recognized rating service and which may be readily sold in a secondary market at prices reflecting fair value.

3. *Money Market Instruments*

- a. short-term domestic corporate promissory notes payable in United States dollars of the highest rating assigned by a nationally recognized rating service;
- b. repurchase agreements with U.S. Treasury securities and agencies of the U.S. Government as collateral;
- c. bankers' acceptances drawn on and accepted by United States banks which have a capital and surplus aggregating at least \$200 million and that also have the highest credit rating assigned by a nationally recognized rating service;
- d. bankers' acceptances which are issued by a United States bank or trust company located in a foreign country and are denominated in United States currency, if either (i) they may be readily sold in a secondary market at prices reflecting fair value, or (ii) the issuing bank or trust company has capital and surplus at the date of issue equaling at least \$500 million and also has the highest credit rating assigned by a nationally recognized rating service; and
- e. Investments in cash equivalent collective investment vehicles (money market funds) that have a primary objective of stability of principal and ready liquidity and that have been approved by staff for use by the external managers.

- C. Authorized debt investments for use in portfolios permitted to invest in non-U.S. dollar denominated securities:
1. All the U.S. dollar denominated investments permitted in B of this document.
 2. Non-U.S. dollar denominated obligations of foreign governments, sovereign states (including local currency emerging markets) and supranational entities.
 3. No more than 20% of any portfolio's maximum permitted non-U.S. dollar investments, measured on the date of purchase, may be invested in non-U.S. dollar denominated corporate debt obligations. Corporate debt 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 for evaluating credit quality.
 4. No more than 20% of any portfolio's maximum permitted non-U.S. dollar investments, measured on the date of purchase, may be invested in obligations denominated in currencies not included in the Citigroup World Government Bond Index ex US.
 5. Managers are not allowed to hold a net short position in any currency and may not participate in hedging other than defensive hedging which is defined for purposes of this section as hedging of foreign currency exposure directly into the U.S. dollar.
 6. Futures and forward contracts for the purchase or sale of currencies may be entered into only to facilitate securities transactions or for defensive hedging described in (5) above.
- D. Duration – The duration of each externally managed fixed income portfolio may not exceed 25% of the duration of the Barclays Capital Aggregate Bond Index for domestic fixed income portfolios and the contractual non-U.S. dollar denominated benchmark for the portfolios(or sub-portfolio component) available for investment in non-U.S. dollar denominated instruments.
- E. Portfolio Quality –The weighted average quality rating shall be BBB- (investment grade) or better, usingthe methodology described in Section I.B.1 to assign a rating

for compliance purposes.

- F. Diversification – The exposure of each Investment Manager portfolio to any one issuer, other than securities issued or guaranteed by the U.S. Government, its agencies or instrumentalities, or GSEs, or collateralized by securities issued or guaranteed by the U.S. Government, its agencies or instrumentalities, or GSEs, shall not exceed 5% of the market value of the portfolio at the time of purchase.
- G. Performance Standards – Performance will be reviewed quarterly and evaluated annually and compared to the performance of the appropriate benchmark index and peer groups. The Barclays Capital Aggregate Bond Index is the appropriate index for domestic only external fixed income portfolios. The Citigroup World Bond Index Ex-US is the appropriate benchmark for a non-US bond portfolio. A blended index comprised of both primary indexes weighted in accordance with the manager Investment Management Agreement shall be the appropriate index for an individual portfolio that expected to invest in both U.S. and non-U.S. denominated securities. Over rolling 3 – 5 year periods, Investment Managers are expected to achieve total returns, net of fees, which at a minimum match that of the market benchmark and rank at or above the median of the peer group.

II. Investment Policy for Direct Authority-Managed Investment Assets

- A. This policy applies to all funds managed directly by the Authority excluding those assets held by trustees for investment under bond covenants. Such assets shall be invested in accordance with the controlling instruments.
- B. The primary investment objective of direct Authority-managed investments is to safe keep Authority funds while providing for adequate liquidity to meet immediate expenditure needs. Individual investments within the portfolio are diversified as to type of security, duration, and source in order to maintain a balanced portfolio and meet Authority bond covenants.

Investments shall be made with the exercise of that judgment and care, under circumstances then prevailing, that an institutional investor of ordinary professional prudence, discretion, and intelligence exercises in managing large investments with consideration for the purpose of the funds, the investment

objectives, the continuing disposition of the fund's investments, and the probable safety of the capital as well as the probable investment returns.

Security purchases shall be based on their merits as an investment. All investments made in the internal portfolios shall be made with a primary objective of preserving principal and achieving income returns consistent with that primary objective.

C. Such Authority-managed investments shall be made by the Executive Director, and/or those person(s) assigned by the Executive Director which include, but are not limited to, the Chief Investment Officer

D. Allowable Investments:

The Executive Director and/or those person(s) assigned by the Executive Director shall invest money only in the following investment instruments:

1. Debt instruments issued or guaranteed by the U.S. Government and its agencies and instrumentalities, and GSEs.
2. Shares/units of cash equivalent collective investment vehicles (money market funds) that are authorized to invest only in assets or securities described in I.B. of this resolution and further provided that such investment vehicles shall have a primary objective of stability of principal and ready liquidity.
3. Repurchase agreements with U.S. Treasury securities and agencies of the U.S. Government as collateral.
4. Units in the investment pool or any series of the investment pool of the Alaska Municipal League Investment Pool, Inc., or any successor to that entity, or any other investment pool for public entities of the State of Alaska that is established under the Alaska Investment Pool Act. AS 37.23.010 – AS 37.23.900.

E. Any investment other than those defined in D above must be specifically approved by the Board prior to any commitment being made.

F. Duration – The portfolio duration for internally managed assets available for longer-term investments shall be 24 months or less. The maximum maturity of any issue shall be 36 months from the date of purchase. Investments released from

pledges to bondholders, which have maturities of more than 36 months from the date of release may be retained.

- G. Performance Standards – Performance shall be evaluated quarterly and compared to the 90-day Treasury bill and a 1-year Treasury instrument. The unrestricted liquidity portfolio is expected to produce a total return, over rolling 3 – 5 year periods that at a minimum match that of the 90-day market benchmark.

III. Safekeeping of Securities

The Executive Director shall appoint trustee(s) to act as safekeeping and custodial agent(s) for the Authority. All investment securities will be held by the trustee(s).

IV. Movement of Funds Among Accounts

The Executive Director shall determine the level of funds to be managed internally and shall have the authority to move funds in excess of this amount to the externally managed portfolios. The amount of funds managed internally should be sufficient to meet the Authority's expected liquidity requirements for the succeeding two years. Similarly, the Executive Director shall have the authority to move funds from the externally managed portfolios to the internal portfolio when the balance in the internal portfolio is insufficient to meet anticipated liquidity requirements.

V. Reporting

Each quarter the Executive Director shall cause a report to be prepared and provided to the members of the Board, which sets forth amounts invested in the externally managed bond portfolios and the internally managed unrestricted liquidity portfolio. The quarterly reports shall include information regarding the diversification and performance of each portfolio in relation to appropriate market indices. The report shall include comparative performance information that enables the reader to evaluate whether the portfolios are achieving returns that are consistent with objectives and market conditions.

Each year-end the Executive Director shall cause a report to be prepared and provided to the members of the Board, which satisfies all appropriate accounting requirements.

Additionally, a year-end report will be prepared and presented to the Board that identifies the components of the total investment portfolio by the externally managed portfolios, the internally managed unrestricted liquidity portfolio and the remaining investments, identified by restriction.

VI. Manager Selection

The Authority will select appropriate Investment Managers to manage its assets. A selection committee comprised of senior management shall utilize the Authority's investment consultant to conduct a manager search assignment. This selection process shall include the establishment of specific search criteria and documentation of analysis and due diligence on potential candidates. All Investment Manager candidates must meet the following minimum criteria:

1. Be a bank, insurance company, investment management company, or investment adviser as defined by the Registered Investment Advisers Act of 1940 or be the State of Alaska, Department of Revenue.
2. Provide historical quarterly performance numbers calculated on a time-weighted basis, based on a composite of all fully discretionary accounts of similar investment style.
3. Provide performance evaluation reports prepared by an objective third party that illustrate the risk/return profile of the manager relative to other managers of like investment style.
4. Provide detailed information on the history of the firm, key personnel, key clients, fee schedule, and support personnel and demonstrate financial and professional staff stability.
5. Clearly articulate the investment strategy that will be followed and document that the strategy has been successfully adhered to over time.
6. Selected firms shall have no outstanding legal judgments or past judgments that may reflect negatively upon the firm.

VII. Further Restrictions

- A. The Authority may not buy investments on margin.
- B. The Authority may enter into future contracts for the sale of investments

only for the purpose of hedging an existing equivalent ownership position in these securities.

VIII. Effective Date

This Resolution amending Resolution G01-14D shall take effect immediately upon its adoption.

DATED at Anchorage, Alaska, the 11th day of October, 2001, amended the 21st day of June, 2006, amended the 19th day of July, 2011, amended the 6th day of December, 2012, amended the 1st day of October, 2013, and further amended this 30th day of September, 2021.

ALASKA INDUSTRIAL DEVELOPMENT
AND EXPORT AUTHORITY



Chair



The seal is circular with a dotted border. The outer ring contains the text "ALASKA INDUSTRIAL DEVELOPMENT AND EXPORT AUTHORITY". The inner circle contains the text "CORPORATE SEAL" and the year "1967" at the bottom. A small star is positioned above the year. A handwritten signature in blue ink is written over the seal and extends to the right.

Secretary