

Kenai Peninsula Borough

Finance Department

MEMORANDUM

TO: Brent Johnson, Assembly President
Members, Kenai Peninsula Borough Assembly

THRU: Mike Navarre, Mayor *MN*

FROM: Brandi Harbaugh, Finance Director *BH*

DATE: October 11, 2022

RE: Ordinance 2022-42, Approving the 2023 Asset Allocation for the Land Trust Investment Fund Investments and Amending KPB Code 5.10.200(B) to Update and Add New Subsections Under Authorized Investments (Mayor)

Pursuant to KPB 5.10.200(A)(2) the financial asset investments of the Land Trust Investment Fund (LTIF) are approved annually by resolution. The asset allocation plan must specify categories of investments for the fund with percentage targets that allow for reasonable fluctuations above and below the target performance. Alaska Permanent Capital Management (APCM), the Borough's Land Trust Fund Investment Manager, is not recommending changes to the current asset allocation for calendar year 2023. The current allocation is as follows:

Asset Class	Strategic Weight	Current Weight	Range
Risk Control	27.00%	27.70%	
US Fixed Income	18.00%	16.50%	8 - 28%
TIPS	2.00%	2.20%	0 - 10%
International Bonds	5.00%	4.50%	0 - 10%
Cash	2.00%	4.50%	0 - 10%
Risk Assets	52.00%	50.00%	
High Yield	5.00%	5.00%	0 - 10%
US Large Cap	22.00%	21.50%	12 - 32%
US Mid Cap	10.00%	9.30%	5 - 15%
US Small Cap	5.00%	4.70%	0 - 10%

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International Equity	6.00%	5.60%	0 - 12%
Emerging Markets	4.00%	3.90%	0 - 8%
Alternatives	21.00%	22.30%	
Real Estate	3.00%	2.70%	0 - 6%
Infrastructure	5.00%	4.90%	0 - 10%
Commodities	3.00%	3.00%	0 - 6%
Alternative Beta	10.00%	11.70%	0 - 15%

APCM recommends the below updates to KPB 5.10.200(B) to update indices that are that are currently being utilized in management of the LTIF investment portfolio.

The code changes will update KPB 5.10.200(B) subsections 7 and 9, and add two new subsections, numbered 12 and 13, as follows:

7. International equities, which taken as a whole, attempt to replicate the MSCI EAFE Index or another index of similar characteristics, including both mutual funds and exchange traded funds (ETFs).
9. Emerging market equities, which taken as a whole, attempt to replicate the MSCI Emerging Markets Index or another index of similar characteristics including both mutual funds and exchange traded funds (ETFs).
- ...
12. Implementation strategies, which taken as whole, attempt to replicate the Wilshire Liquid Alternatives Index or another index of similar characteristics including both mutual funds and exchange traded funds (ETFs).
13. U.S. high yield bonds, which taken as a whole, attempt to replicate the Bloomberg Barclays U.S. Corporate High Yield Very Liquid Index or another index of similar characteristics including both mutual funds and exchange traded funds (ETFs).

Your consideration of the ordinance is appreciated.