

RESOLUTION OF THE
BUDGET AND FINANCE COMMITTEE
OF THE NAVAJO NATION COUNCIL

23RD NAVAJO NATION COUNCIL - Third Year, 2017

AN ACTION

RELATING TO BUDGET AND FINANCE COMMITTEE; APPROVING THE
AMENDMENT OF THE NAVAJO NATION MASTER INVESTMENT POLICY

BE IT ENACTED:

SECTION ONE. AUTHORITY

- A. The Budget and Finance Committee, established as a standing committee of the Navajo Nation Council, shall exercise oversight authority including but not limited to budget, finance, investment, bonds, contracting, insurance, audits, accounting, taxes, loans, for the purpose to coordinate, oversee(,) regulate the fiscal, financial, investment, contracting and audit policies of the Navajo Nation. 2 N.N.C. § 300(A), (C)(1).

SECTION TWO. FINDINGS

- A. In exercising its authority under 2 N.N.C. Section 300(A), the Budget and Finance Committee has adopted the Navajo Nation Master Investment Policy and Procedures (the "2008 Policy") to provide investment management personnel with policy guidance for investing the Navajo Nation's financial resources. The Budget and Finance Committee has final authority to review, reaffirm, modify and approve the Policy on the recommendation of the Navajo Nation Investment Committee.
- B. Pursuant to Section 1.1, Section 4.3(a), Section 4.8(a) and Section 22 of the Policy, the Navajo Nation Investment Committee (the "Investment Committee"), upon the advice of its investment consultant, may recommend modifications to the Policy for approval and adoption by the Budget and Finance Committee.
- C. The Navajo Nation Investment Committee, by Resolution No. NNICOC-04-18, recommends the approval and adoption of the

amended Investment Policy, Direct Investments, § 8.1(i). See Investment Committee Resolution No. NNICOC-04-18 attached as **Exhibit A**.

- D. The Budget and Finance Committee, upon the recommendation of the Investment Committee and the Investment Consultant, has reviewed the amended Investment Policy, Direct Investments and has determined that it is in the best interests of the Navajo Nation to amend the 2008 Policy as reflected in the recommended amended policy. Attached to **Exhibit A**.

SECTION THREE. APPROVAL

- A. The Budget and Finance Committee approves the amended Policy related to Direct Investments, § 8.1(i), in its entirety as set forth in **Exhibit A** attached hereto.
- B. The amended Investment Policy, Direct Investments, § 8.1(i) shall become effective immediately upon adoption of this Resolution by the Budget and Finance Committee.

CERTIFICATION

I hereby certify that the foregoing resolution was duly considered by the Budget and Finance Committee of the Navajo Nation Council at a duly called meeting held at Nahata Dziil, Navajo Nation (Arizona), at which a quorum was present and that the same was passed by a vote of 5 in favor and 0 opposed, this 21st day of November, 2017.



Seth Damon, Chairperson
Budget and Finance Committee

Motion: Honorable Lee Jack, Sr.
Second: Honorable Tom T. Chee



NNICOC-04-18

**RESOLUTION OF
THE NAVAJO NATION INVESTMENT COMMITTEE**

**Recommending to the Budget and Finance Committee
the Amendment of the Navajo Nation Master Investment Policies
at Section 8.1(i) and 8.1(ii) Related to Direct Investments**

WHEREAS:

1. The Budget and Finance Committee of the Navajo Nation Council ("Budget and Finance Committee") is vested with oversight authority with respect to the Nation's investments pursuant to 2 N.N.C. § 300(C), as established by the Navajo Nation Council in Resolution Nos. CO-45-12 and CJA-03-13. Pursuant to 2 N.N.C. § 301(A), the Budget and Finance Committee is authorized to coordinate, oversee, and regulate the investment policies of the Nation, *Id.* at § 300(C)(1), and to protect the interests of the Navajo people through the prudent management of the financial reserves of the Nation, *Id.* at § 300(C)(4); and

2. In exercising its authority under 2 N.N.C. §§ 300(C)(1) and (4) and 301(A), the Budget and Finance Committee adopted the Navajo Nation Master Investment Policies ("Policy"), as amended and restated pursuant to BFJN-17-15, to provide the framework for the Nation's execution of its fiduciary responsibilities to Nation members, employees, and other beneficiaries of the Nation's funds. Policy, § 1.1; and

3. The adoption of this Policy and any subsequent modifications require recommendation by the Navajo Nation Investment Committee ("Investment Committee") to the Budget and Finance Committee for the Budget and Finance Committee's approval. Policy, §§ 1.1, 4.3(a) and 22. Pursuant to its statutory authority and obligation, the Budget and Finance Committee has final authority to approve this Policy and all Nation investment policies, and to reaffirm or modify this Policy and all Nation investment policies, Policy, § 4.1; and

4. The Investment Committee previously on August 24, 2017, passed NNICAU-02-17 Approval of Proposed Amendments to the Investment Policy, approving amendments to § 7.2 related to Mutual Fund Investments/Commingled Funds, and this recommendation is being submitted to the Budget and Finance Committee for final approval; and

5. The Investment Committee has now reviewed the Policy and has determined that it is in the best interests of the Navajo Nation to amend § 8.1(i) of the Policy related to Direct Investments and recommends the approval by the Budget and Finance Committee of the amendment to § 8.1(i) of the Policy as set forth in Exhibit A attached hereto.

NOW THEREFORE BE IT RESOLVED THAT:

The Investment Committee recommends to the Budget and Finance Committee the approval and adoption of the amendment to § 8.1(i) of the Policy, as set forth in Exhibit A.

CERTIFICATION

I hereby certify that the foregoing resolution was duly considered by the Navajo Nation Investment Committee, at a duly called special meeting at Window Rock, Arizona, at which a quorum was present and that same was passed by a vote of 4 in favor, 1 opposed, and 0 abstaining, this 27th day of October, 2017.



Pearline Kirk
Presiding Chairwoman
Navajo Nation Investment Committee

Motion: Tom Chee
Second: Elizabeth Begay
Vote: 4-1-0

EXHIBIT A
PROPOSED AMENDMENT

Section 8. Permissible Investments

- 8.1 Asset Category Definitions.** Investments must be made in accordance with accepted institutional investment practices of the Government Finance Officers Association (GFOA) and Association of Investment Management Research ("AIMR"). Investments must be of high quality and well diversified. Investment managers must exercise prudence in all matters and invest solely for the benefit of the Nation.
- i) **Direct Investments.**
 - i) Direct investment of Nation funds in emerging growth, pre IPO and other non-public companies through various investment structures (e.g., a partnership or joint venture), either equity or debt based, is permitted subject to investment and operational due diligence by the Investment Committee or its designee. The Nation shall not invest in a direct investment that has a projected annual rate of return of less than the five (5) year average rate of return of the Master Trust portfolio, gross of fees, except as to the direct investments addressed in Section 8.1(i)(ii) below, rates shall be as negotiated, but at no less than the ten (10) year average rate of return of the Master Trust portfolio. The average rate of return of the Master Trust portfolio shall be set at the rate set forth in the most recent quarterly report provided by the Investment Consultant.
 - ii) Direct investment of Nation funds in any entity or enterprise owned in whole or part by the Nation, is permitted subject to investment and operational due diligence by the Investment Committee or its designee. Direct investment in any entity or enterprise owned in whole or part by the Nation shall be evaluated consistent with the Investment Objectives and Priorities set forth above in Section 2.1, along with the following objectives and priorities, including but not limited to, the overall benefit to the Nation of such investment, the promotion of tribal economic development, the promotion of tribal self-sufficiency and self-governance, the creation of jobs for enrolled members of the Nation, and the promotion of health, education, safety, and welfare of enrolled members of the Nation.
 - j) **Other Investments.** Other investments, including entertainment investments and professional sports franchises, subject to the limitations of Section 11 below.
 - k) **High Yield Investments.** Notwithstanding anything to the contrary in this Section 8, investments which offer potential for higher returns and price appreciation, including but not limited to investments in early stage companies, real estate development projects and other ventures where there are substantial upside returns but also greater risks; provided that such investments shall not be made in the Nation, an enterprise of the Nation or any affiliates thereof, and the aggregate purchase amount of such investments shall not exceed in the aggregate 1% of the assets in the Master Trust at the time of investment.

EXHIBIT A
PROPOSED AMENDMENT

Section 8. Permissible Investments

8.1 Asset Category Definitions. Investments must be made in accordance with accepted institutional investment practices of the Government Finance Officers Association (GFOA) and Association of Investment Management Research ("AIMR"). Investments must be of high quality and well diversified. Investment managers must exercise prudence in all matters and invest solely for the benefit of the Nation.

i) Direct Investments.

i) Direct investment of Nation funds in emerging growth, pre IPO and other non-public companies through various investment structures (e.g., a partnership or joint venture), either equity or debt based, is permitted subject to investment and operational due diligence by the Investment Committee or its designee. The Nation shall not invest in a direct investment that has a projected annual rate of return in any year of less than the ten (10) five (5) year average rate of return of the Master Trust portfolio, ~~net of fees~~ gross of fees, except as to the direct investments addressed in Section 8.1(i)(ii) below, rates shall be as negotiated, but at no less than the ten (10) year average rate of return of the Master Trust portfolio. The average rate of return of the Master Trust portfolio shall be set at the rate set forth in the most recent quarterly report provided by the Investment Consultant.

ii) Direct investment of Nation funds in any entity or enterprise owned in whole or part by the Nation, is permitted subject to investment and operational due diligence by the Investment Committee or its designee. Direct investment in any entity or enterprise owned in whole or part by the Nation shall be evaluated consistent with the Investment Objectives and Priorities set forth above in Section 2.1, along with the following objectives and priorities, including but not limited to, the overall benefit to the Nation of such investment, the promotion of tribal economic development, the promotion of tribal self-sufficiency and self-governance, the creation of jobs for enrolled members of the Nation, and the promotion of health, education, safety, and welfare of enrolled members of the Nation.

j) **Other Investments.** Other investments, including entertainment investments and professional sports franchises, subject to the limitations of Section 11 below.

k) **High Yield Investments.** Notwithstanding anything to the contrary in this Section 8, investments which offer potential for higher returns and price appreciation, including but not limited to investments in early stage companies, real estate development projects and other ventures where there are substantial upside returns but also greater risks; provided that such investments shall not be made in the Nation, an enterprise of the Nation or any affiliates thereof, and the aggregate purchase amount of such investments shall not exceed in the aggregate 1% of the assets in the Master Trust at the time of investment.