

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

23RD NAVAJO NATION COUNCIL - First Year, 2015

AN ACTION

RELATING TO BUDGET AND FINANCE COMMITTEE; APPROVING THE TERMINATION
OF SERVICES BY CURRENT SMALL/MID-CORE MANAGER AND RETAINING VANGUARD
EXTENDED MARKET INDEX FUND

Section One. Findings

- A. Pursuant to 2 N.N.C. § 300(C) the Budget and Finance 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, Chapter budget and finance for the following purposes: 1) To coordinate, oversee, regulate the fiscal, financial, investment, contracting and audit policies of the Navajo Nation.
- B. Pursuant to Health Services Committee Resolution, HSCD-13-10, the Retirement Savings Plan Administration Committee is delegated with the authority to administer the Retirement Plan and construe and apply all of its provisions on behalf of the Navajo Nation in adherence to Navajo Nation laws.
- C. The Navajo Nation's designated investment consultant, RVK, Inc. reported and recommended to the Retirement Savings Plan Administration Committee the termination of services by Current Small/Mid-Core Manager, within the Navajo Nation 401(k) Savings Plan.

D. The Retirement Savings Plan Administration Committee reviewed and concurred with RVK, Inc.'s recommended changes from Current Small/Mid-Core Manager to Vanguard Extended Market Index Fund. See RSPAC-01-15 attached as Exhibit A.

E. The Retirement Savings Plan Administration Committee by Resolution RSPAC-01-15 recommends to the Budget and Finance Committee the termination of services by Current Small/Mid-Core Manager and to transition all current assets held by Current Small/Mid-Core Manager to Vanguard Extended Market Index Fund. See Exhibit A.

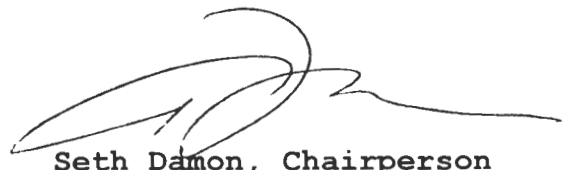
Section Two. Approval

A. The Budget and Finance Committee hereby approves the recommendation of the Retirement Savings Plan Administration Committee to terminate the services of Current Small/Mid-Core Manager.

B. The Budget and Finance Committee hereby approves the recommendation of the Retirement Savings Plan Administration Committee for the Office of the Controller to transition all current assets held by Current Small/Mid-Core Manager to Vanguard Extended Market Index Fund.

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 Window Rock, Navajo Nation (Arizona), at which a quorum was present and that the same was passed by a vote of 5 in favor, 0 opposed, this 24th day of November, 2015.



Seth Damon, Chairperson

Budget and Finance Committee

Motion: Lee Jack, Sr.

Second: Tuchoney Slim, Jr.



RSPAC-01-15

**RESOLUTION OF THE
RETIREMENT SAVINGS PLAN ADMINISTRATION COMMITTEE**

Approving and Recommending to the Budget and Finance Committee of the Navajo Nation Council to terminate the Current Small/Mid-Core Manager and replace with the Vanguard Extended Market Index Fund within the Navajo Nation 401(k) Savings Plan

WHEREAS:

1. Pursuant to Resolution BFMY-41-73, the Budget and Finance Committee of the Navajo Tribal Council, under the auspices of the Navajo Tribal Council Resolution CF-21-73, initially adopted the Retirement Plan for Employees of the Navajo Nation Certain Tribal Affiliates; and
2. Pursuant to 2 N.N.C. § 301 (B) (8), as amended by Resolution No. CAP-10-11, the Budget and Finance Committee of the Navajo Nation Council is empowered to promulgate policies and regulations concerning the fringe benefits for Navajo Nation Officials and employees; and
3. Pursuant to Budget and Finance Committee Resolution No. BFD-49-10, the Budget and Finance Committee of the Navajo Nation Council approved and adopted the restated Navajo Nation 401(k) Savings Plan for Employees of the Navajo Nation and Participating Affiliates (hereinafter the 401(k) "Plan"; and
4. Pursuant to Article 13.3 POWERS OF THE PLAN ADMINISTRATOR; (a) Shall have the power and discretion to perform the Administrative Duties described in this Plan or required to proper administration of the Plan and shall have all powers necessary to enable it to properly carry out such duties. (e) INVESTMENT; The Plan Administrator shall keep itself advised with respect to the investment of the Trust Fund and shall report to the Employees regarding the investment and reinvestment of the Trust Fund not less frequently than annually; and
5. On December 11-12, 2014 during the Navajo Nation Retirement Plan Administration Committee's Annual Investment meeting, the Navajo Nation Investment Advisor R.V. Kuhns & Associates, Inc., reported and recommended termination of the Current Small/Mid-Core Manager and replace with Vanguard Extended Market Index Fund within the Navajo Nation 401(k) Savings Plan; and
6. The Navajo Nation Retirement Plan Administration Committee has reviewed and agreed with the recommended changes to be made to improve the service fees and investment return for participants in the Navajo Nation 401(k) Savings Plan.

NOW THEREFORE BE IT RESOLVED THAT:

The Navajo Nation Retirement Plan Administration Committee hereby Approves and Recommends to the Budget and Finance Committee of the Navajo Nation Council to terminate the Current Small/Mid-Core Manager and replace it with Vanguard Extended Market Index Fund within the Navajo Nation 401(k) Savings Plan Investment line up.

CERTIFICATION

I hereby certify that the foregoing resolution was considered by the Retirement Savings Plan Administration Committee of the Navajo Nation at a duly called meeting in the Navajo Nation Department of Retirement Services at which a quorum was present and that same was passed by a vote of 2 in favor, 0 opposed and 1 abstained this 11th day of September, 2015.

A handwritten signature in black ink, appearing to read 'Seth Damon', with a large, stylized loop at the end.

Seth Damon, Chairperson
Retirement Savings Plan Administration Committee
THE NAVAJO NATION

Motion: Robert Willie

Second: Dwight Witherspoon



NAVAJO NATION DEPARTMENT OF JUSTICE

REQUEST
FOR
SERVICES

DOJ
3/9/15 1:54 pm
DATE / TIME
RFS #: 15-0370
UNIT: OAG

☐ RESUBMITTAL

*** FOR NNDOJ USE ONLY - DO NOT CHANGE OR REVISE FORM. VARIATIONS OF THIS FORM WILL NOT BE ACCEPTED ***

CLIENT TO COMPLETE	
DATE OF REQUEST: MARCH, 09, 2015	ENTITY/DIVISION: DHR
CONTACT NAME: RODGER MARTINEZ	DEPARTMENT: DEPT of RET. SERV.
PHONE NUMBER: (928) 871-6947	E-MAIL: rodgermartinez@navajo-nsn.gov
COMPLETE DESCRIPTION OF LEGAL NEED AND SERVICES REQUESTED (attach documents): Legal Review of RAC resolution to change fund money.	
DEADLINE: ASAP REASON: RAC met 3/13/15	
DOJ SECRETARY TO COMPLETE	
DATE/TIME IN UNIT: 3/9/15	REVIEWING ATTORNEY/ADVOCATE: Kristin
DATE/TIME OUT OF UNIT:	PREPARED BY (initial):
RECEIVED MAR 12 2015 DOJ ATTORNEY TAX & FINANCE UNIT	ADVOCATE COMMENTS
Rec'd assignment 3/10/15 (husky)	
legally sufficient. See my edits. KA Lowell	
REVIEWED BY: (PRINT) KA. Lowell	DATE / TIME 4/30/15
DOJ Secretary Called:	for Document Pick Up on at By:
PICKED UP BY: (PRINT)	DATE / TIME:

Revised NNDOJ/RFS Form - July 2013

Sponsor's Copy



THE NAVAJO NATION


| BEN SHELLY
PRESIDENT

| REX LEE JIM
VICE-PRESIDENT

MEMORANDUM

March 09, 2015

TO : Legal Review

FROM : 
Rodger Martinez, Plan Administrator
Department of Retirement Services

SUBJECT : Review of RPAC Resolution recommending a change in Investment Managers

The Department of Retirement Services request your assistance in review of the forgoing RPAC Resolution RPAC-01-15, This resolution will allow the Navajo Nation Retirement Saving Plan Administration Board to approve and replacing a core fund manager to another due to poor performance as review and recommended by the Navajo Nation Investment Advisor R.V. Kuhns & Associates.

Your assistance to the following and any recommendation will be appreciated, I can be reached at (928) 871-6947 if there are any question to the request.

File: Office



Navajo Nation 401(k) - Manager Change

Katie Gardiner <Katie.Gardiner@rvkuhns.com>

Tue 3/3/2015 11:30 AM

To: Rodger Martinez <rodgermartinez@navajo-nsn.gov>;

Cc: Beau Burggraff <Beau.Burggraff@rvkuhns.com>;

Rodger,

This email is a follow-up to our conversation earlier today. RVK's recommendation to replace the Eagle Smaller Company Fund with the Vanguard Extended Market Index has not changed since the recommendation was originally delivered in December 2014. Given the significance of the Eagle Smaller Company Fund's portfolio management team changes, we feel that it is prudent for the Navajo Nation 401(k) Plan to replace this fund with the Vanguard Extended Market Index Fund. ✓

If you have any questions, feel free to let me know.

Best,
Katie

Katie Gardiner | Associate Consultant

RVK, Inc.

1211 SW 5th Avenue, Suite 900 | Portland, OR 97204

Main 503.221.4200

katie.gardiner@rvkuhns.com | www.rvkuhns.com



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Navajo Nation 401(k) Plan - Small/Mid Cap Resolution

Katie Gardiner <Katie.Gardiner@rvkuhns.com>

Tue 12/16/2014 12:04 PM

To: Rodger Martinez <rodgermartinez@navajo-nsn.gov>; mgrant@NNOOC.ORG <mgrant@NNOOC.ORG>;
mvnezia@NNOOC.ORG <mvnezia@NNOOC.ORG>;

Cc: Navajo Nation Team <Team.NavajoNation@rvkuhns.com>;

2 attachments

2014-12-15 401k Small-Mid Cap Investment Options Resolution.doc; 2014-11-26 US Small Cap Recommendation.pdf;

Rodger, Mark, and Michael,

Attached, please find the Small/Mid Cap Manager resolution recommending the termination of the Eagle Smaller Company Fund, and the addition of the Vanguard Extended Market Index Fund within the Navajo Nation 401(k) Plan. The areas that RVK is unable to fill out (resolution number, and certification date and address) have been highlighted yellow to be filled out by Navajo Nation. Also attached is RVK's recommendation memo, which is referenced in the resolution as "Exhibit A".

If you have any questions, or need anything additional from us, please let me know.

Best,
Katie

Katie Gardiner | Associate Consultant

RVK, Inc.

1211 SW 5th Avenue, Suite 900 | Portland, OR 97204

Main 503.221.4200

katie.gardiner@rvkuhns.com | www.rvkuhns.com



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EXHIBIT A



Memorandum

To Navajo Nation Retirement Committee: Navajo Nation 401(k) Plan

From Beau Burggraff and Katie Gardiner, RVK, Inc.

Subject Small/Mid Cap US Equity Recommendation

Date December 9, 2014

Recommendation Summary

RVK recommends replacing the Eagle Smaller Company Fund R6 (EGEUX) with the Vanguard Extended Market Index Fund Adm (VEXAX). As of September 30th, the participants of the Navajo Nation 401(k) Plan had approximately \$4.2 million invested in EGEUX representing 4.5% of the Plan's assets.

PORTLAND OFFICE
1211 SW 5th Avenue
Suite 900
Portland, Oregon 97204
MAIN 503.221.4200

Rationale for the recommendation includes:

- Recent change in portfolio management team responsible for the Eagle Smaller Company Fund;
- A lack of highly rated active management replacement candidates with both available capacity and a reasonably priced fund vehicle; and
- The recommended Vanguard fund provides an appropriate fit within the overall domestic equity structure of the Plan, and is reasonably priced with an expense ratio of 10 basis points.

Additional Detail

In late October, 2014, the Eagle Boston Investment Management team (the "Team"), responsible for managing US Small Cap, US SMid Cap and Eagle Smaller Company Fund was lifted out of the Eagle Asset Management complex with the help of financial partner Aristotle Capital Management to form a new asset management boutique, Aristotle Boston Capital; this deal is expected to close by year end.

Since the Team joined Eagle in 2007, it operated autonomously, relying on Eagle for marketing, trading and back office. Eagle, is a wholly owned subsidiary of Raymond James Financial, a publically traded company.

The Team's Portfolio Managers ("PM's") viewed lack of employee ownership as a disadvantage to winning new business. In order to be more competitive in the small cap marketplace, the PM's began to

EXHIBIT A



explore opportunities outside of Eagle to obtain ownership in order to exhibit greater alignment of interest with their clients and have a better way of attracting, retaining, and rewarding talent.

Eagle has reassigned management of the Eagle Smaller Company mutual fund to their Vermont based team, which is referred to internally as Eagle Vermont.

Eagle Vermont joined Eagle Asset Management in 2012; this team was lifted out of Sentinel Asset Management, a wholly owned subsidiary of National Life Insurance Company. Four of the five team members, including three portfolio managers, joined Eagle to take over the Mid Cap Stock Fund and start the Small Cap Stock Fund. This team utilizes bottom up, fundamental stock research to construct diversified portfolios that focus on downside protection. The portfolios have a growth tilt, focusing on rapidly growing companies with competitive advantages, trading below their estimated fair value.

While the new portfolio management team intends to maintain a management style and general portfolio characteristics that are similar to the former team, and claims their own successful performance track record, it is quite simply no longer the same team that we placed our original confidence in when recommending this particular manager to be added to the Plan.

In considering recommendation alternatives, we evaluated several, including moving the investment to the newly formed Aristotle boutique, moving to another active manager, as well as other passive options.

The newly formed Aristotle small-cap boutique does not yet have a fund vehicle available, but has indicated a willingness to manage legacy client assets, even at smaller sizes, in a separate account. For the size of the fund in the Navajo Nation 401(k) Plan and the ongoing small cash flows, we do not believe this solution would be worth the incremental cost or complexity involved. In looking at other highly rated active managers, we find that there are few compelling ideas that are not already closed for capacity reasons, possess a sufficient performance track record for consideration, have a fund vehicle available with reasonable management fees, or that provide a good fit within the Plan's overall investment domestic equity manager options.

Vanguard Extended Market Index Fund

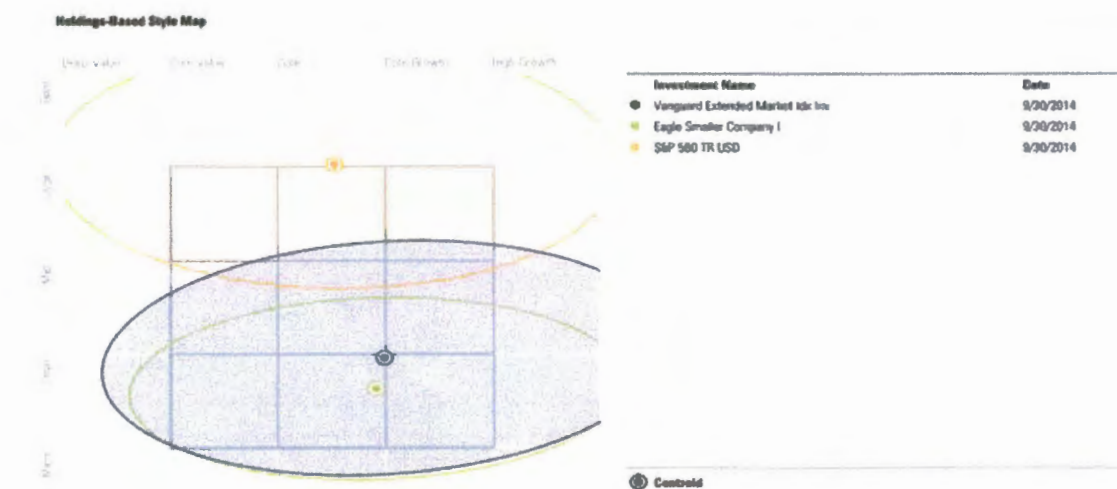
The Vanguard Extended Market Index Fund is constructed to replicate the performance of the S&P 500 Completion Index, which includes U.S. companies that fall outside of the S&P 500 Index and range in size from \$2 million and \$51 billion with a median market capitalization of \$1.5 billion. The index is reconstituted on a quarterly basis, and has approximately 3,200 holdings, compared to the index, which is also reconstituted quarterly and holds approximately 3,400 positions.

The Vanguard Extended Market Index Fund tracks a relatively larger capitalization size via the

EXHIBIT A



CRSP than the exposure sought by the Eagle Smaller Company strategy. As detailed in the graphic below, we believe the provides a good complement to the Plan's domestic equity options as it provides broad exposure to stocks other than those targeted by the large capitalization stock managers and the S&P 500 Index. Finally, the Vanguard Extended Market Index Fund is one of the cheapest available passive funds which track the small and mid-capitalization markets at 10 basis points.



Fee Impact

We expect this change to reduce investment management fees by approximately \$31,000 annually (using current market values), as the fee for VEXAX is approximately 75 basis points lower than EGEUX.

Next Steps

The Vanguard Extended Market Index Fund is available to the Plan through the Admiral Share Class Fund ("VEXAX") at a fee of 10 basis points (\$10k minimum). Given the circumstances surrounding the change in management of the investment, we recommend making this change and beginning the transition process with Wells Fargo as soon as possible so that the new investment option is implemented in the early part of 2015.

**RESOLUTION OF
THE NAVAJO NATION INVESTMENT COMMITTEE**

**Approving and Recommending to the Budget and Finance Committee Approval of a Change to the
Current Small/Mid-Core Manager Offered in the Navajo Nation 401(k)**

WHEREAS:

1. Pursuant to Budget and Finance Committee Resolution BFJY-114-03 as amended by BFJA-01-08 which involved adopting investment policies and sub-policies for all Navajo Nation financial resources, the Navajo Nation Investment Committee was continued with delegated authority to approve and recommend investments for adoption to the Budget and Finance Committee; and

2. Pursuant to the delegated authority, the Office of the Controller has coordinated with the Navajo Nation's designated investment consultant, RVK, Inc. a recommendation to terminate the Eagle Smaller Company Fund within the Navajo Nation 401(k) Plan; and

3. The Office of the Controller in coordination with RVK, Inc. has reviewed five (5) alternatives to the Navajo Nation 401(k) Plan's current Small/Mid Cap Core investment option, Eagle, and recommends mapping assets in full to the Vanguard Extended Market mutual fund.

4. The Navajo Nation Investment Committee has reviewed the recommendation attached hereto as Exhibit A and recommends the same for approval by the Budget and Finance Committee of the Navajo Nation Council.

NOW THEREFORE BE IT RESOLVED THAT:

The Navajo Nation Investment Committee hereby approves and recommends to the Budget and Finance Committee of the Navajo Nation Council approval of the recommendation to terminate the Navajo Nation 401(k) Plan's current Small/Mid Cap investment option, Eagle, and map all assets to the Vanguard Extended Market Fund.

CERTIFICATION

I hereby certify that the foregoing resolution was duly considered by the Navajo Nation Investment Committee, at a duly called meeting at {ENTER ADDRESS}, at which a quorum was present and that same was passed by a vote of ___ in favor and ___ opposed, this {ENTER DATE}.

Mark Grant
Presiding Chairman
Navajo Nation Investment Committee

Motion:
Second:
Vote:

EXHIBIT A

RVK

Memorandum

To Navajo Nation Retirement Committee: Navajo Nation 401(k) Plan

From Beau Burggraff and Katie Gardiner, RVK, Inc.

Subject Small/Mid Cap US Equity Recommendation

Date December 9, 2014

Recommendation Summary

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Rationale for the recommendation includes:

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- A lack of highly rated active management replacement candidates with both available capacity and a reasonably priced fund vehicle; and
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In late October, 2014, the Eagle Boston Investment Management team (the "Team"), responsible for managing US Small Cap, US SMid Cap and Eagle Smaller Company Fund was lifted out of the Eagle Asset Management complex with the help of financial partner Aristotle Capital Management to form a new asset management boutique, Aristotle Boston Capital; this deal is expected to close by year end.

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Eagle → Vanguard



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In considering recommendation alternatives, we evaluated several, including moving the investment to the newly formed Aristotle boutique, moving to another active manager, as well as other passive options.

The newly formed Aristotle small-cap boutique does not yet have a fund vehicle available, but has indicated a willingness to manage legacy client assets, even at smaller sizes, in a separate account. For the size of the fund in the Navajo Nation 401(k) Plan and the ongoing small cash flows, we do not believe this solution would be worth the incremental cost or complexity involved. In looking at other highly rated active managers, we find that there are few compelling ideas that are not already closed for capacity reasons, possess a sufficient performance track record for consideration, have a fund vehicle available with reasonable management fees, or that provide a good fit within the Plan's overall investment domestic equity manager options.

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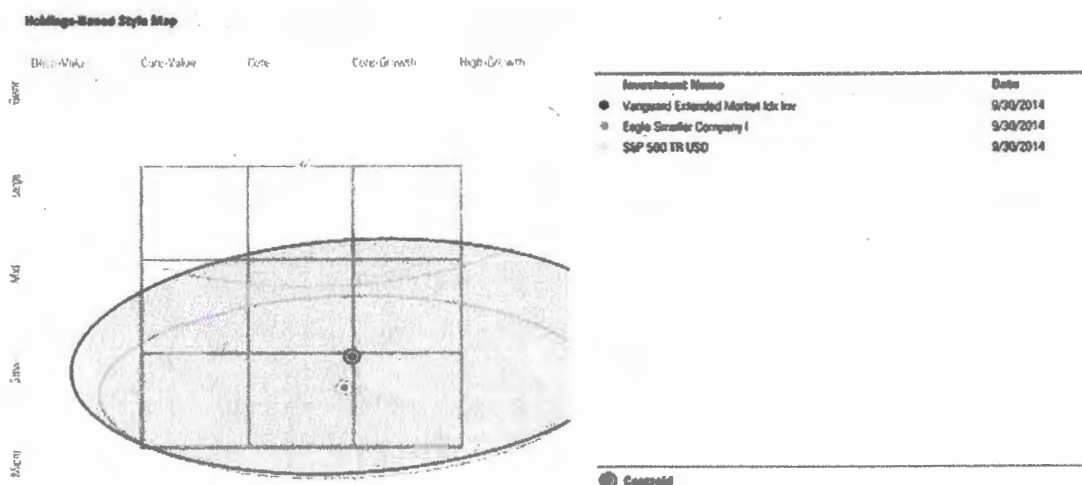
EXHIBIT A

VEXAX?



RVK

CRSP than the exposure sought by the Eagle Smaller Company strategy. As detailed in the graphic below, we believe the **VEXAX** provides a good complement to the Plan's domestic equity options as it provides broad exposure to stocks other than those targeted by the large capitalization stock managers and the S&P 500 Index. Finally, the Vanguard Extended Market Index Fund is one of the cheapest available passive funds which track the small and mid-capitalization markets at 10 basis points.



Fee Impact

We expect this change to reduce investment management fees by approximately \$31,000 ✓ annually (using current market values), as the fee for VEXAX is approximately 75 basis points lower than EGEUX.

Next Steps

The Vanguard Extended Market Index Fund is available to the Plan through the Admiral Share Class Fund ("VEXAX") at a fee of 10 basis points (\$10k minimum). Given the circumstances surrounding the change in management of the investment, we recommend making this change and beginning the transition process with Wells Fargo as soon as possible so that the new investment option is implemented in the early part of 2015.