

**LEGISLATIVE SUMMARY SHEET**

Tracking No. **0038-21**

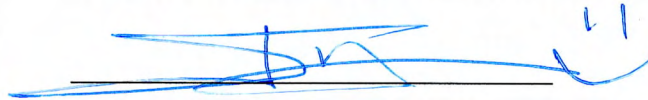
**DATE:** March 5, 2021

**TITLE OF RESOLUTION:** AN ACT RELATING TO BUDGET AND FINANCE COMMITTEE; APPROVING THE ADOPTION OF THE SUB-POLICY OF THE NAVAJO NATION GENERAL FUND,

**PURPOSE:** The purpose of this resolution is for the Navajo Nation to adopt a Sub-Policy to the Navajo Nation General Fund.

PROPOSED STANDING COMMITTEE RESOLUTION  
24<sup>th</sup> NAVAJO NATION COUNCIL - THIRD YEAR, 2021

INTRODUCED BY



Primary Sponsor

TRACKING NO. **0038-21**

AN ACT

RELATING TO BUDGET AND FINANCE COMMITTEE;  
APPROVING THE ADOPTION OF THE SUB-POLICY OF THE NAVAJO  
NATION GENERAL FUND

**SECTION ONE. AUTHORITY**

- A. The Budget and Finance Committee of the Navajo Nation Council is empowered with the "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) [t]o coordinate, oversee, regulate the fiscal, financial, investment, contracting and audit policies of the Navajo Nation." 2 N.N.C. §§ 300(C), (C)(1).
- B. The Budget and Finance Committee is empowered to coordinate and review all fiscal, financial, and investment activities of the Navajo Nation pursuant to 2 N.N.C. § 301(B)(5).
- C. The Budget and Finance Committee adopted investment policies for all Navajo Nation financial resources, the Master Investment Policy, in Resolution Nos. BFO-61-90, BFJY-114-03, BFJA-01-08, BFJN-17-15, BFD-38-17, and BFD-41-17; the Budget and Finance Committee approved the current version of the Master Investment Policy in BFD-45-18.

1 D. The Navajo Nation created the Navajo Nation Investment Committee in Resolution No.  
2 CAU-39-73.

3 E. The Navajo Nation Investment Committee is an advisory group to the Budget and  
4 Finance Committee regarding the management of the Navajo Nation's investment  
5 programs, and is responsible for approving and making recommendations to the Budget  
6 and Finance Committee for the adoption of modifications to the Master Investment  
7 Policy, Sub-Policies, and Asset Class Guidelines, pursuant to the Master Investment  
8 Policy at § 4.3.

9  
10 **SECTION TWO. FINDINGS**

11 A. The Navajo Nation Controller, pursuant to her duties under the Master Investment  
12 Policy at § 4.4, has coordinated with the Navajo Nation's investment consultant, RVK,  
13 Inc., and has recommended to the Navajo Nation Investment Committee the adoption  
14 of the Sub-Policy of the Navajo Nation General Fund.

15 B. As shown in Resolution No. NNICFB-01-20 (attached hereto as **Exhibit A**) the Navajo  
16 Nation Investment Committee has reviewed the recommendation by the Navajo Nation  
17 Controller and RVK, Inc., regarding the adoption of the Sub-Policy of the Navajo  
18 Nation General Fund.

19 C. The analysis and recommendations of RVK, Inc. are presented in a PowerPoint  
20 document entitled "General Fund – Asset Allocation Review" (attached as **Subexhibit**  
21 **1** to the Investment Committee's Resolution No. NNICFB-01-20).

22 D. In Resolution No. NNICFB-01-20 the Navajo Nation Investment Committee approved  
23 the recommendation by the Navajo Nation Controller and RVK, Inc. to adopt the Sub-  
24 Policy of the Navajo Nation General Fund. A final approved version of this Sub-  
25 Policy, entitled "Navajo Nation General Fund (Sub-Policy) STATEMENT OF  
26 INVESTMENT OBJECTIVES, GUIDELINES, AND PROCEDURES" is attached as  
27 **Subexhibit 2** to the Investment Committee's Resolution No. NNICFB-01-20.

28 E. In Resolution No. NNICFB-01-20 the Navajo Nation Investment Committee also  
29 recommends to the Budget and Finance Committee the adoption and addition of the  
30 Sub-Policy of the Navajo Nation General Fund.

1 F. The Investment Committee's recommendation and the Sub-Policy have been reviewed  
2 by the Navajo Nation Department of Justice and have been determined "legally  
3 sufficient." **Exhibit B.**  
4

5 **SECTION THREE. APPROVAL**

6 The Budget and Finance Committee approves the recommendation of the Navajo Nation  
7 Investment Committee, adopting and adding the Sub-Policy to the Navajo Nation General  
8 Fund, entitled "Navajo Nation General Fund (Sub-Policy) STATEMENT OF  
9 INVESTMENT OBJECTIVES, GUIDELINES, AND PROCEDURES" (attached as  
10 **Subexhibit 2** to the Investment Committee's Resolution No. NNICFB-01-20).  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30

NNICFB-01-20

**RESOLUTION OF  
THE NAVAJO NATION INVESTMENT COMMITTEE**

**Approving and Recommending to the Budget and Finance Committee  
the Adoption and Approval of  
the Sub-Policy of the Navajo Nation General Fund**

**WHEREAS:**

1. The Navajo Nation ("Nation") created the Navajo Nation Investment Committee ("Investment Committee") pursuant to Resolution No. CAU-39-73; and
2. The Budget and Finance Committee adopted the investment policies for all Navajo Nation financial resources (the "Master Investment Policy") pursuant to Resolution No. BFO-61-90, as amended by BFJY-114-03, BFJA-01-08, BFJN-17-15, BFD-38-17, BFD-41-17, and BFD-45-18; and
3. The Investment Committee is an advisory group to the Budget and Finance Committee in the management of the Nation's investment programs and is responsible for approving and making recommendations to the Budget and Finance Committee for the adoption of modifications to the Master Investment Policy, Sub-Policies, and Asset Class Guidelines, pursuant to the Master Investment Policy at §4.3(a); and
4. The Controller, pursuant to her duties under the Master Investment Policy at §4.4, has coordinated with the Nation's investment consultant, RVK, Inc., a recommendation to adopt the Sub-Policy of the Navajo Nation General Fund; and
5. The Investment Committee has reviewed RVK Inc.'s recommendation relating to the adoption of the Sub-Policy of the Navajo Nation General Fund, attached hereto as Exhibit 1; and
6. The Investment Committee finds it is in the best interests of the Nation to approve and recommend to the Budget and Finance Committee the adoption of the Sub-Policy of the Navajo Nation General Fund, attached hereto as Exhibit 2.

**NOW THEREFORE, BE IT RESOLVED THAT:**

The Navajo Nation Investment Committee hereby approves and recommends to the Budget and Finance Committee the adoption and approval of the Sub-Policy of the Navajo Nation General, attached hereto as Exhibit 2.

### CERTIFICATION

I hereby certify that the foregoing resolution was duly considered by the Navajo Nation Investment Committee, at a duly called meeting at the Quality Inn in Window Rock, Arizona at which a quorum was present and that same was passed by a vote of 3 in favor, 0 opposed, and 0 abstained, this 21<sup>st</sup> day of February, 2020.

A handwritten signature in black ink, appearing to read 'JL', is written over a horizontal line.

Jamie Henio  
Presiding Chairperson  
Navajo Nation Investment Committee

Motion: Jimmy Yellowhair  
Second: Martin Ashley  
Vote: 3-0-0



# General Fund - Asset Allocation Review



# General Fund – Asset Allocation

## Introduction

- As the Navajo Nation's operating fund, the **General Fund** utilizes a notably conservative asset allocation, consisting of the following asset classes:
  - Low Duration Fixed Income
- RVK recommends diversifying into additional asset classes to potentially improve the risk/return characteristics.
- Return Objective / Risk Tolerance –
  - **General Fund:** The return objective is to outperform the Bloomberg Barclay's U.S. 1-5 Year Government/Credit index over a market cycle
- The Fund has an conservative risk/return threshold, with safety of principal being the foremost objective. Mitigating credit risk and interest rate risk are also primary objectives of the Fund.
  - Liquidity Needs –
    - Over the past ten years, the General Fund has had minimal, if any, draws.



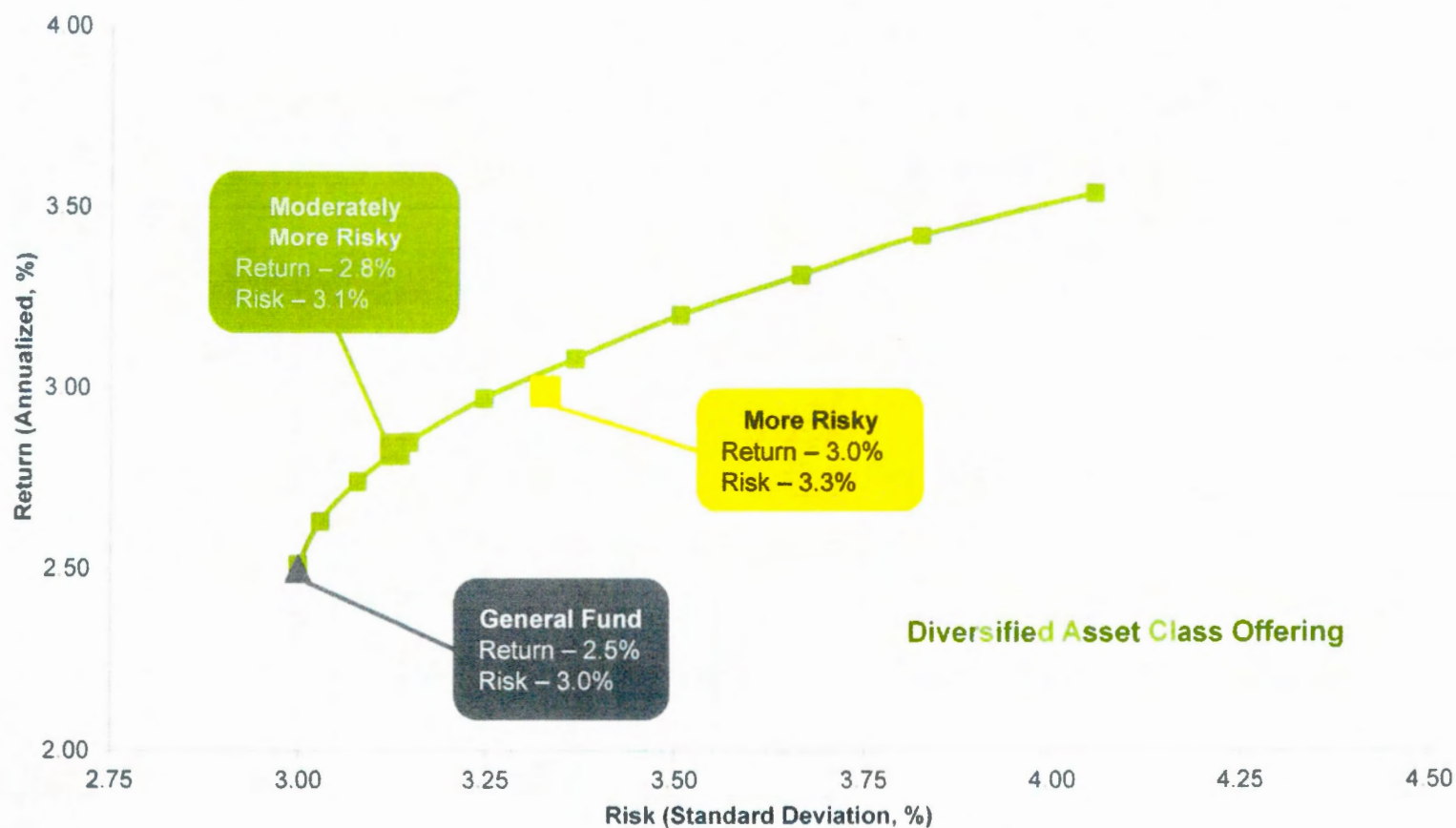
# General Fund – Asset Allocation

## Portfolio Comparison (Including Additional Asset Classes)

	General Fund (Conservative)	Moderately More Risky	More Risky
Large/Mid Cap US Equity	0	0	0
Small Cap US Equity	0	0	0
Broad International Equity	0	0	0
US Aggregate Fixed Income	0	20	20
Low Duration Fixed Income	100	70	65
Core Real Estate	0	0	0
GTAA	0	0	7
Bank Loans	0	10	8
<b>Total</b>	<b>100</b>	<b>100</b>	<b>100</b>
Capital Appreciation	0	10	8
Capital Preservation	100	90	85
Alpha	0	0	0
Inflation	0	0	0
<b>Expected Return</b>	<b>2.5</b>	<b>2.8</b>	<b>3.0</b>
<b>Risk (Standard Deviation)</b>	<b>3.0</b>	<b>3.1</b>	<b>3.3</b>
Return (Compound)	2.5	2.8	2.9
Return/Risk Ratio	0.83	0.90	0.90
RVK Expected Eq Beta (LCUS Equity = 1)	0.05	0.07	0.06
RVK Liquidity Metric (T-Bills = 100)	85	82	76

# General Fund – Asset Allocation

## Efficient Frontier Comparison – Impact of Adding Asset Classes



\*Grey triangles indicate a current sub-trust target allocation.



# General Fund – Asset Allocation & Income

## Income Projections – Impact of Adding Asset Classes

Asset Class	General Fund- Current	Moderately More Risky	More Risky
Large Cap Domestic Equity	-	-	-
Small Cap Domestic Equity	-	-	-
International Equity	-	-	-
Core Fixed Income	-	20%	20%
Low Duration Fixed Income	100%	70%	65%
Core Real Estate	-	-	-
GTAA	-	-	7%
Bank Loans	-	10%	8%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>
<b>Expected Return (%)</b>	<b>2.5%</b>	<b>2.8%</b>	<b>3.0%</b>
<b>Expected Risk (Standard Deviation %)</b>	<b>3.0%</b>	<b>3.1%</b>	<b>3.3%</b>
<b>Expected Yield (%)</b>	<b>1.7%</b>	<b>3.1%</b>	<b>3.1%</b>
<b>Expected Yield (\$)</b>	<b>\$1,136,318</b>	<b>\$1,483,859</b>	<b>\$1,448,906</b>
Total Market Value	\$66,451,368	\$66,451,368	\$66,451,368

Market Values are as of 12/31/2019. Annual expected yield estimates are based on the relevant benchmark index and are applied to the asset allocation.



# General Fund – Asset Allocation

## Considerations and Next Steps

- The General Fund's target asset allocation can be updated to increase expected return, with a modest increase in expected risk by diversifying into Core Fixed Income and Bank Loans. Incorporating these asset classes generally serves to improve the expected return for all risk levels.
  - **Recommendation:** The “**Moderately More Risky**” portfolio is consistent with the Fund's overall risk/return profile, subject to the Investment Committee's preference.
- No new investments would be required to implement the new target asset allocations
  - if approved, the allocations can be implemented using the current Master Trust investments.
    - RVK would work with the Controller's Office and Northern Trust to complete the rebalancing.

## Navajo Nation General Fund (Sub-Policy)

### STATEMENT OF INVESTMENT OBJECTIVES, GUIDELINES AND PROCEEDURES

**A. General.** This statement governs the investment of the Navajo Nation General Fund (Fund) as a sub-policy of the Navajo Nation Master Investment Policies.

This statement is set forth in order that the Navajo Nation Council, the Budget & Finance Committee, the Investment Committee, Staff, its investment advisor and its investment managers and others entitled to such information may be made aware of the Policy of the General Fund with regard to the investment of its assets and the expectations and requirements of the Investment Committee with respect to the ongoing management of the investments. The purpose of this document is to establish the investment policies, standards of prudence and performance expectations for the Fund. The Investment Committee is responsible for the fiduciary oversight of the investments and has chosen these policies as its statement of intent for achieving the investment objectives described below.

**B. The Fund.** The General Fund is a Governmental Fund. Governmental funds are those groups of Accounts, which account for most governmental functions of the Navajo Nation. The acquisition, use and balances of the Navajo Nation's expendable financial resources and the related liabilities (except those accounted for in proprietary funds and the long-term obligations account group) are accounted for through Governmental Funds. The measurement focus is based upon determination of changes in financial position, rather than upon net income determination.

The General Fund is the general operating fund of the Navajo Nation. It is used to account for all financial resources except those required to be accounted for in another fund. The Navajo Nation Council appropriates funds for the expenditures of the General Fund.

The Fund is expected to be available in perpetuity so it will be invested with a long-term perspective. It is important to follow coordinated policies regarding spending and investment decisions, which will protect the principal and produce reasonable total returns.

To assure that the integrity of these assets shall be maintained to the maximum extent feasible, the Investment Committee has established the following Policies:

- To be invested in accord with The Master Investment Policy and Procedures approved by the Budget & Finance Committee.
- To preserve the purchasing power of the investments while maintaining liquidity to meet the purpose of the Fund as stated in Section B. Preservation of principal is of high priority and essential over the long term.



**C. Investment Objectives.** The primary investment objectives are liquidity and preservation of capital in real terms while obtaining maximum interest income within reasonable and acceptable levels of risk inherent with investing with a short-term perspective.

The achievement of the investment objectives of the Fund will be reviewed on an annual basis. This review will focus on the continued feasibility of achieving the objectives and the continued appropriateness of the investment policy. It is not expected that the policy will change frequently; in particular, short-term changes in the financial markets should generally not require an adjustment in the policy.

**D. The Investment Committee Responsibilities.** The Investment Committee will have the responsibility and authority to oversee the investments of the Fund. The Investment Committee and its designated investment advisor will then select the specific asset mix reflecting judgments as to the investment environment as well as the specific needs of the Fund. The Investment Committee will discharge their duties with prudence and ethics as stated in Section 3 of the Navajo Nation Master Investment Policies.

**E. Investment Policy Guidelines.** The Budget & Finance Committee does not expect the Investment Committee to be reactive to short-term investment developments, recognizing that the needs for payout are long term and that investment competence must be measured normally over a meaningful period of time. While the quantitative assessment of managerial competence will be measured normally over a complete market cycle, the Budget & Finance Committee anticipates that the Investment Committee will make interim qualitative judgments. Specific qualitative factors which will be reviewed by the Investment Committee on an ongoing basis.

#### Asset Allocation

The most important component of an investment strategy is the asset mix, or the resource allocation among the various classes of securities available to the General Fund investments. The Investment Committee will be responsible for target and actual asset allocation for the investments that will best meet the needs of the Fund, taking into consideration the appropriate level of portfolio volatility. The Investment Committee will then submit to the Budget & Finance Committee the long-term asset allocation ranges.

#### Long Term

The risk/return profile shall be maintained by describing a long term "target" strategic asset allocation and is set forth below.

### Investment Time Horizon

In making investment strategy decisions for the Fund, the focus shall be on maintaining liquidity. Interim evaluation will be required if a significant change in fees, manager personnel, strategy or manager ownership occurs.

### **Allocation of Assets**

It shall be the policy of the Fund to be invested in accordance with the maximum and minimum range for each asset class as stated below:

	Target Asset		
	Minimum	Target	Maximum
Core Fixed Income	13%	20%	27%
Low Duration Fixed Income	55%	70%	85%
Bank Loans	0%	10%	14%
Cash Equivalents	0%	0%	10%

The asset allocation ranges established by this investment policy represent the perspective of maintaining liquidity. Staff will review the asset allocation of the Fund on a quarterly basis and rebalance to within policy ranges as necessary.

**F. Performance Expectations.** The measurement period for complete evaluation will be trailing twelve-quarter periods and complete market cycles. Market cycles are defined to include both a rising and a declining leg. Therefore, a minimum period of evaluation shall be typically three to five years.

The most important performance expectation is the achievement of investment results that are consistent with the Fund's investment objective statement. Performance will be monitored against a custom index of both the target allocation and the current allocation.

EXHIBIT

tabbies

B


☐ RESUBMITTAL

# NAVAJO NATION DEPARTMENT OF JUSTICE

## DOCUMENT REVIEW REQUEST FORM



DOJ	
08/18/20 @ 4:54 PM	DATE / TIME
<input type="checkbox"/> 7 Day Deadline	
DOC #: 014815	
SAS #:	
UNIT: T & Fu	

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

### CLIENT TO COMPLETE

DATE OF REQUEST: 08/18/20 ENTITY/DIVISION: OCA - Investments  
 CONTACT NAME: Brent Nauneka / Cynthia DEPARTMENT:  
 PHONE NUMBER: (928) 871-6126 E-MAIL: cswtth@nnaol.org  
 TITLE OF DOCUMENT: EOR - NNICFB-01-20 - NNICFB-05-20

### DOJ SECRETARY TO COMPLETE

DATE/TIME IN UNIT: AUG 19 2020 11am REVIEWING ATTORNEY/ADVOCATE: Adjua  
 DATE/TIME OUT OF UNIT:

### DOJ ATTORNEY / ADVOCATE COMMENTS

Sufficient

REVIEWED BY: (PRINT)	DATE / TIME	SURNAMED BY: (PRINT)	DATE / TIME
Adjua Adjei-Danso	4 December, 2020; 11:12 am	Mel Rodis	December 7, 2020 11:47 am

DOJ Secretary Called: \_\_\_\_\_ for Document Pick Up on \_\_\_\_\_ at \_\_\_\_\_ By: \_\_\_\_\_

PICKED UP BY: (PRINT) \_\_\_\_\_ DATE / TIME: \_\_\_\_\_

NNDJ/DRRF-July 2013

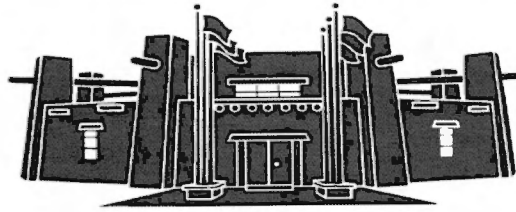


SCANNED

c 11:30 am

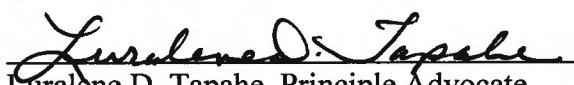
+ emailed





**MEMORANDUM**

**TO :** Honorable Jamie Henio, Delegate  
24<sup>th</sup> Navajo Nation Council

**FROM :**   
Luralene D. Tapahe, Principle Advocate  
Office of Legislative Counsel

**DATE :** March 5, 2021

**SUBJECT :** AN ACT RELATING TO BUDGET AND FINANCE COMMITTEE;  
APPROVING THE ADOPTION OF THE SUB-POLICY OF THE  
NAVAJO NATION GENERAL FUND

I have prepared the above referenced proposed resolution and associated legislative summary sheet pursuant to your request for legislative drafting. The resolution drafted is legally sufficient. However, as with any legislation, it can be subject to review by the courts in the event of a proper challenge. Also, please understand that the Speaker is authorized to refer this proposed resolution to other committees than those stated in the title.

You are advised and encouraged to review the proposed resolution to ensure it is drafted to your satisfaction. If you are satisfied with the proposed resolution, please sign it as "sponsor" and submit it to the Office of Legislative Services where it will be given a tracking number and sent to the Office of the Speaker for assignment.

If the proposed legislation is unacceptable to you, please contact me at the Office of Legislative Counsel and advise me of the changes you would like made to the proposed resolution. Ahe'he'.

THE NAVAJO NATION  
LEGISLATIVE BRANCH  
INTERNET PUBLIC REVIEW PUBLICATION



LEGISLATION NO: \_0038-21\_

SPONSOR: Jamie Henio

**TITLE: An Act Relating to Budget and Finance Committee; Approving the Adoption of the Sub-Policy of the Navajo Nation General Fund**

***Date posted:*** March 10, 2021 at 7:55PM

Digital comments may be e-mailed to [comments@navajo-nsn.gov](mailto:comments@navajo-nsn.gov)

Written comments may be mailed to:

Executive Director  
Office of Legislative Services  
P.O. Box 3390  
Window Rock, AZ 86515  
(928) 871-7586

**Comments may be made in the form of chapter resolutions, letters, position papers, etc. Please include your name, position title, address for written comments; a valid e-mail address is required. Anonymous comments will not be included in the Legislation packet.**

**Please note:** This digital copy is being provided for the benefit of the Navajo Nation chapters and public use. Any political use is prohibited. All written comments received become the property of the Navajo Nation and will be forwarded to the assigned Navajo Nation Council standing committee(s) and/or the Navajo Nation Council for review. Any tampering with public records are punishable by Navajo Nation law pursuant to 17 N.N.C. §374 *et. seq.*