

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
RECOMMENDATION OF THE NAVAJO NATION INVESTMENT COMMITTEE AND
THE NAVAJO NATION RETIRMENT PLAN ADMINISTRATION COMMITTEE TO
UPDATE THE LONG-TERM ASSET ALLOCATION FOR THE NAVAJO NATION
RETIREMENT PLAN

BE IT ENACTED:

SECTION ONE. AUTHORITY

- A. The Budget and Finance Committee of the Navajo Nation Council is empowered with the authority to exercise oversight in the areas including, but not limited to, budget, finance, investment, bonds, contracting, insurance, audits, accounting, taxes, loans, Chapter budget and finance for the purpose of coordinating, overseeing, and regulating the fiscal, financial, investment, contracting and audit policies of the Navajo Nation." 2 N.N.C. § 300(C)(1).
- B. The Budget and Finance Committee of the Navajo Nation Council is empowered to promulgate policies and regulations concerning wages, expenditures reimbursement, and fringe benefits for Navajo Nation officials and employees. 2 N.N.C. § 301(B)(8).

SECTION TWO. FINDINGS

- A. The Navajo Nation Investment Committee (NNIC) and the Navajo Nation Retirement Plan Administration Committee (RPAC) have reviewed materials from RVK, Inc., the Navajo Nation's designated investment consultant, RVK. Inc. and recommends to the Budget and Finance Committee that it approve updates to the Retirement Plan's Long-Term Asset Allocation in accordance with each Committee's respective resolutions. The NNIC Resolution, NNICN-01-16, is

attached as "Exhibit 1" and the RPAC Resolution, RPAC-09-16 is attached as "Exhibit 2.

- B. The NNIC recommends updating the long-term target asset allocation for the Retirement Plan, inclusive of new investments in Bank Loans and Non-Core Real Estate. NNCIN-01-16, Paragraph 2.
- C. The NNIC recommends the long-term asset allocation be updated in conformance with the recommendation made to the Navajo Nation Investment Committee by RVK, Inc. NNCIN-01-16, Exhibit B, page 11.
- D. The rationale for updating in asset allocation is to increase the Retirement Plan's expected returns over a long-term horizon while simultaneously reducing expected risk, which increases the likelihood of meeting the Plan's 7% expected return objective. NNCIN-01-16, Exhibit B, page 11.

Section Three. Approval

The Budget and Finance Committee hereby approves the recommendation of the Navajo Nation Investment Committee and the Navajo Nation Retirement Plan Administration Committee to update the Long-Term Asset Allocation for the Navajo Nation Retirement Plan.

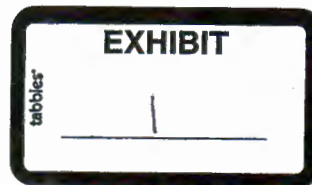
CERTIFICATION

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 4 in favor and 0 opposed, this 7th day of February, 2017.



Dwight Witherspoon, Vice Chairperson
Budget and Finance Committee

Motion: Honorable Tom T. Chee
Second: Honorable Tuchoney Slim, Jr.



NNICN-01-16

**RESOLUTION OF
THE NAVAJO NATION INVESTMENT COMMITTEE**

**Approving and Recommending to the Budget and Finance Committee Approval of a Change to the
Retirement Plan's Long-Term Asset Allocation**

WHEREAS:

1. The Navajo Nation Investment Committee was continued with delegated authority to approve investments for the Navajo Nation pursuant to Budget and Finance Committee Resolution No. BFJY-114-03, as amended by Budget and Finance Committee Resolution No. BFJA-01-08 and No. BFJN-17-15, which involved adopting investment policies and sub-policies for all Navajo Nation financial resources; and
2. The Office of the Controller, pursuant to its delegated authority and in coordination with the Navajo Nation's designated investment consultant RVK, Inc., has developed a recommendation to update the long-term target asset allocation for the Retirement Plan, inclusive of new investments in Bank Loans and Non-Core Real Estate; and
3. The Office of the Controller, in coordination with RVK, Inc., recommends that the Navajo Nation Investment Committee update the long-term target asset allocation for the Retirement Plan inclusive of new investments in Bank Loans and Non-Core Real Estate, as set forth in the Amended Navajo Nation Defined Benefit Plan (Sub-Policy): Statement of Investment Objectives, Guidelines, and Procedures, attached hereto as Exhibits A and B; and
4. The Navajo Nation Investment Committee has reviewed the recommendation of the Office of the Controller to update the long-term target asset allocation for the Retirement Plan, inclusive of new investments in Bank Loans and Non-Core Real Estate, as set forth in the Amended Navajo Nation Defined Benefit Plan (Sub-Policy): Statement of Investment Objectives, Guidelines, and Procedures, attached hereto as Exhibits A and B.

NOW THEREFORE BE IT RESOLVED THAT:

The Navajo Nation Investment Committee hereby approves the recommendation to update the long-term target asset allocation for the Retirement Plan, inclusive of new investments in Bank Loans and Non-Core Real Estate.

The Navajo Nation Investment Committee hereby recommends to the Budget and Finance Committee of the Navajo Nation Council, as required by the Navajo Nation's Master Investment Policy, Section 4.1, to update the Retirement Plan's asset allocation to include Bank Loans and Non-Core Real Estate, as set forth in the Amended Navajo Nation Defined Benefit Plan (Sub-Policy): Statement of Investment Objectives, Guidelines, and Procedures, attached hereto as Exhibits A and B. This change will serve to improve the Retirement Plan's expected long term return and reduce overall risk.

CERTIFICATION

I hereby certify that the foregoing resolution was duly considered by the Navajo Nation Investment Committee, at a duly called meeting at 1300 Tuyuna Trail in Santa Ana Pueblo, NM, 87004, at which a quorum was present and that same was passed by a vote of 3 in favor, 0 opposed, and 1 abstained, this 30th day of November, 2016.

Jim Parris
Presiding Chairman
Navajo Nation Investment Committee

Motion: Seth Damon
Second: Elizabeth Begay
Vote: 3-0-1

Amended
Navajo Nation Defined Benefit Plan
(Sub-Policy)

STATEMENT OF INVESTMENT OBJECTIVES, GUIDELINES AND PROCEEDURES

A. General. This statement governs the investment of the Defined Benefit Plan (Plan) 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 Defined Benefit Plan 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 Plan. 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.

The Plan. Briefly, the Defined Benefit Plan includes the activities of the retirement plan for the Navajo Nation and certain affiliates. The Plan covers all full-time employees. The provision Plan's contribution is sufficient to cover the Plan's normal cost and amortization of past service costs over 40 years. The policy is to fund pension costs accrued.

All amounts of money deposited in the Plan shall be invested as soon as practical in accordance with Investment Objectives and Investment Policies of the Navajo Nation as formally adopted by the Budget and Finance Committee of the Navajo Nation Council.

The Plan 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 at the same time increasing the size of the corpus in order to support growth in the Defined Benefit Plan. Preservation of principal is of high priority and essential over the long term.

C. Investment Objectives.

The primary objectives of the Plan shall be:

- Preservation of capital in real terms,
- Obtain maximum returns within reasonable and acceptable levels of risk.

Financial objectives of the Defined Benefit Plan have been established in conjunction with a comprehensive review of the current and projected financial requirements of the Plan. The targeted rate of return is 4% above Consumer Price Index. While there cannot be complete assurance that the defined objectives will be realized, it is believed that the likelihood of their realization is reasonably high, based on the investment policy of the Plan.

The achievement of the investment objectives of the Plan 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 is an advisory committee to the Budget & Finance Committee and will have the responsibility and authority to oversee the investments of the Plan. 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 Plan. 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 the Investment Committee on an ongoing basis will review.

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 Defined Benefit Plan investments. The Investment Committee will be responsible for target and actual asset allocation for the investments that will best meet the needs of the Plan, 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 Plan, the focus shall be on a long-term investment time horizon that encompasses a complete business cycle (usually three to five years). 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 Plan to be invested in accordance with the maximum and minimum range for each asset class as stated below:

<u>Asset Class</u>	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>
Cash Equivalents	10%	10%	10%
Fixed Income	15%	22%	35%
U.S. Equity	30%	41%	50%
— Large Cap	70%	84%	90%
Small-Mid Cap	15%		25%
Non-U.S. Equity	5%	12%	20%
Core Real Estate	1%	1%	15%
Absolute Return A	10%		20%

Target Asset Allocation			
	Minimum	Target	Maximum
U.S. Equity	22%	32%	50%
Large Cap	20%	26%	40%
Small / Mid Cap	2%	6%	10%
International Equity	10%	15%	20%
Core / Core Plus Fixed Income	13%	18%	23%
Bank Loans	2.5%	5%	7.5%
Core Real Estate	5%	10%	15%
Non-Core Real Estate	0%	5%	7.5%
Absolute Return / GTAA	10%	15%	20%
Cash Equivalents	0%	0%	5%

The asset allocation ranges established by this investment policy represent the long-term perspective. As such, rapid unanticipated market shifts may cause the asset mix to fall outside the policy ranges. Any divergence should be of a short-term nature. Staff will review the asset allocation of the Plan 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 Plan's investment objective statement. Performance will be monitored against a custom index of the target allocation.

Approved By:

DRAFT Amendment dated ~~July 9, 2013~~ November 30, 2016

The Navajo Nation
Investment Committee

Date: _____

The Navajo Nation
Budget & Finance Committee

Date: _____

Retirement Plan – Asset Allocation Recommendation



Retirement Plan Comparison to Peers

Asset Allocation and Performance – All Plan Sponsors < \$1 Billion in Assets

Trailing Periods		QTD	CYTD	FYTD	1 Year	3 Years	5 Years	7 Years	10 Years	15 years	20 Years
Total Retirement Plan		4.04	11.74	11.74	11.74	7.39	10.91	9.29	5.55	6.55	7.21
Retirement Plan Target Index		3.12	11.17	1.17	11.17	7.65	11.11	9.75	6.56	7.26	7.59
Difference		0.92	0.57	0.57	0.57	0.26	-0.2	0.46	0.91	0.1	0.38
All Master Trust \$1B Total Fund Median		3.45	9.4	9.4	9.4	5.82	9.25	8.1	5.6	6.38	7.03
Rank		22	12	12	12	13	11	13	49	42	41

Calendar Years		2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Total Retirement Plan		0.42	7.17	20.21	13.25	1.09	12.71	16.29	-27.09	7.69	11.80
Retirement Plan Target Index		1.44	8.17	19.09	12.54	3.47	13.78	17.3	-23.56	7.24	13.56
Difference		1.02	1.00	1.12	0.71	-2.38	1.07	-1.01	3.53	0.45	-1.76
All Master Trust \$1B Total Fund Median		-0.46	6.10	15.83	12.38	0.17	12.5	20.07	24.32	7.81	12.3
Rank		29	30	11	32	37	45	75	73	53	59

Asset Allocation vs. All Master Trust < \$1B Total Fund



Retirement Plan Performance

Historical Comparative Performance Review

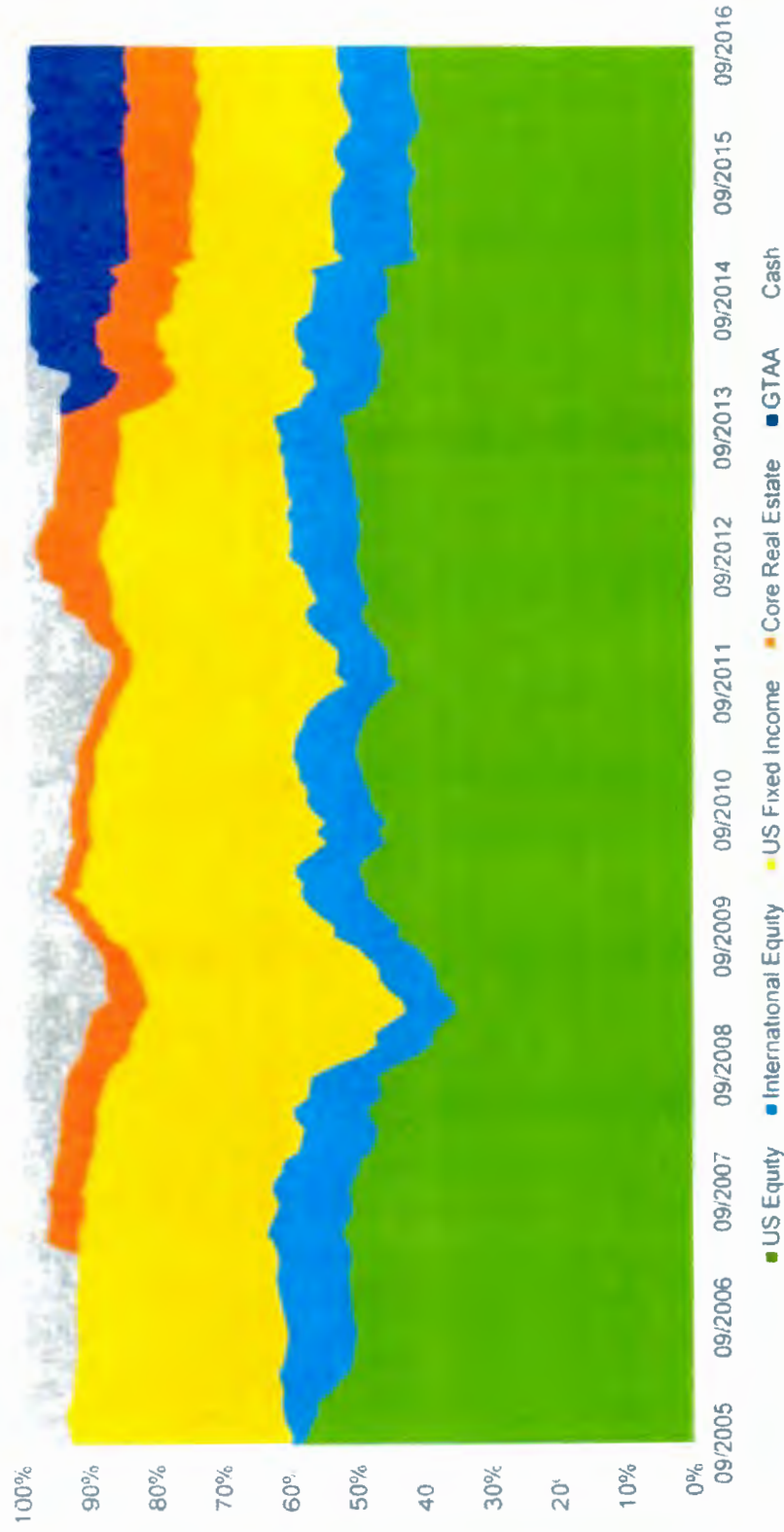
- In the approximately eight years since the 2008 Global Financial Crisis, The Navajo Nation Retirement Plan has performed well versus other plan sponsors, ranking well above median for the 1-, 3-, 5- and 7-year trailing periods as of September 30, 2016.
- The Retirement Plan performed relatively in line with or above peers for longer-term time periods, although the Plan's underperformance (absolute and relative to its benchmark) in 2008 weighed on returns.
- Compared to peers, the Retirement Plan has maintained higher allocations to Domestic Equity, particularly Large Cap, as well as Core Real Estate, and a relatively lower allocation to International Equity.
- Looking back, this asset allocation positioning has been beneficial to absolute performance, as Domestic Equity has significantly outperformed International Equity strategies and most other asset classes, and Core Real Estate has continued to post consistent positive annual returns since 2008.
 - The addition of Absolute Return/GTAA strategies detracted from returns in 2014-2015, but this asset class has posted strong performance thus far in 2016.

Future Considerations

- Looking forward, RVK's long-term return expectations have declined for most asset classes, particularly Domestic Equities, making it challenging for the Retirement Plan to meet its expected return.
 - Equity market volatility over this period has been below average and there exists the potential for it to trend higher back to long-term averages in the future.
- To increase the Retirement Plan's probability of meeting its return objective of 7%, the Plan will need to strategically diversify into other asset classes that provide the potential for increased return.
 - Non-Core Real Estate, Bank Loans, Emerging Market Equities, and Private Equity/Credit strategies are additive to return and help reduce portfolio volatility and downside risks.

Retirement Plan – Historical Asset Allocation

- Since 2005 The Navajo Nation Retirement Plan has worked towards diversifying the portfolio by adding the following asset classes:
 - International Equity → 2005
 - Core Real Estate → 2006
 - Global Tactical Asset Allocation ("GTAA") → 2013



The ending asset allocation for the Retirement Plan is shown as of September

Capital Market Assumptions

RVK's 2016 Capital Market Assumptions and Calendar Year Changes from 2012 - 2016

- Forward-looking return expectations have declined across most asset classes in recent years (for most institutions – not just RVK), making it increasingly challenging for Plans to meet their actuarial return objective.
- Incorporating asset classes such as Emerging Markets Equity, Bank Loans, Non-Core Real Estate and Private Equity provide the opportunity for increased return, as well as additional diversification benefits, relative to traditional asset classes over the long term

Asset Class	2012		2016		Change (2016 - 2012)	
	Return (Arithmetic)	Standard Deviation	Return (Arithmetic)	Standard Deviation	Return (Arithmetic)	Standard Deviation
Large/Mid Cap US Equity	7.75%	17.75%	7.00%	17.75%	-0.75%	0.00%
Small Cap US Equity	8.50%	21.25%	7.75%	21.25%	-0.75%	0.00%
Broad International Equity	8.65%	20.80%	8.85%	20.60%	0.20%	-0.20%
Emerging Markets Equity	10.50%	29.00%	11.00%	29.00%	0.50%	0.00%
Intermediate Duration Fixed Income	4.25%	5.75%	3.50%	6.00%	-0.75%	0.25%
Bank Loans	5.00%	10.00%	5.25%	10.00%	0.25%	0.00%
Core Real Estate	7.00%	12.50%	6.50%	12.50%	-0.50%	0.00%
Non-Core Real Estate	10.00%	22.50%	9.50%	22.50%	-0.50%	0.00%
GTAA	7.00%	11.00%	6.50%	10.00%	-0.50%	-1.00%
Private Equity	11.75%	30.25%	10.25%	25.50%	-1.50%	-4.75%

Asset Class Overview

	Cash & Inflation	Fixed Income	Domestic Equity	International & Global Equity	Real Estate	Alternative Strategies
Type of Investments	Money market funds, T-bills commercial paper	Government or corporate credit bond funds	US stocks	Developed international equity and/or emerging market	REITs Core Value Add and Opportunistic	Private equity credit, absolute return GTAA
Risk/ Return Profile	Low	Low to Moderate	High	High	Moderate to High	Moderate to High
Role in portfolio. Provides...	- stability and liquidity	- stability as well as capital appreciation / preservation to a portfolio - hedge against economic slowdown or deflation	- long-term growth potential - income through dividends (in some cases)	- long-term growth potential - diversification from US market exposure	- inflation protection and income potential - diversification from stock and bond markets	- diversification from traditional asset classes
Other facts		- Value/price fluctuates inversely with interest rate movements			Liquidity concerns and severe market downturns can pose increased risk to a portfolio	Less liquid less transparent (hard to value) and higher associated fees

Asset Allocation Study

Risk & Return Assumptions

Asset Class	Arithmetic Return Assumption	Standard Deviation Assumption
Large/Mid Cap US Equity	~ 00	17.75
Small Cap US Equity	~ 75	21.25
Broad International Equity	8.85	20.60
Int Duration Fixed Income	50	6.00
Core Real Estate	6.50	12.50
GTAA	6.50	10.00

Historical Observations

Index	Longest Historical Time Frame	Annualized Arithmetic Return	Annualized Standard Deviation
S&P 500 Index (Cap Wtd)	Jan 1926 - Dec 2015	11.35	18.85
Russell 2000	Jan 1979 - Dec 2015	12.80	19.52
MSCI ACW Ex US IMI Gross	Jun 1994 - Dec 2015	6.31	16.86
MSCI Emg Mkts (Gross)	Jan 1988 - Dec 2015	12	23.23
Barclays US Agg Bond	Jan 1976 - Dec 2015	7.56	5.42
CS Leveraged Loan	Jan 1992 - Dec 2015	5.58	5.17
NCREIF ODCE (ODCE AWA)	Jan 1978 - Sep 2015 (Q)	8.49	5.43
Custom Non-Core RE Index	April 1989 - Sep 2015 (Q)	~ 47	8.73
Custom GTAA Index	Jun 1994 - Dec 2015	6.97	9.43
Cambridge US Private Equity Index	Jul 1986 - Jun 2015 (Q)	13.43	9.46

Correlation Assumptions

	Large/Mid Cap US Equity	Small Cap US Equity	Broad International Equity	Emerging Markets Equity	Int Duration Fixed Income	Bank Loans	Core Real Estate	Non-Core Real Estate	GTAA	Private Equity
Large/Mid Cap US Equity	1.00	0.84	0.82	0.73	0.18	0.44	0.23	0.13	0.83	0.75
Small Cap US Equity	0.84	1.00	0.76	0.1	0.08	0.44	0.18	0.07	0.76	0.69
Broad International Equity	0.82	0.76	1.00	0.88	0.00	0.51	0.30	0.04	0.92	0.75
Emerging Markets Equity	0.73	0.71	0.88	1.00	0.1	0.45	0.21	0.00	0.86	0.67
Int Duration Fixed Income	0.18	0.08	0.00	0.01	1.00	0.02	0.09	0.05	0.26	0.28
Bank Loans	0.44	0.44	0.51	0.45	0.1	1.00	0.19	0.03	0.55	0.55
Core Real Estate	0.23	0.18	0.30	0.21	0.09	0.19	1.00	0.72	0.33	0.59
Non-Core Real Estate	0.13	0.07	0.04	0.00	0.06	0.03	0.72	1.00	0.05	0.40
GTAA	0.83	0.76	0.92	0.86	0.26	0.55	0.33	0.05	1.00	0.74
Private Equity	0.75	0.69	0.75	0.67	0.28	0.55	0.59	0.40	0.74	1.00

Asset Allocation Study

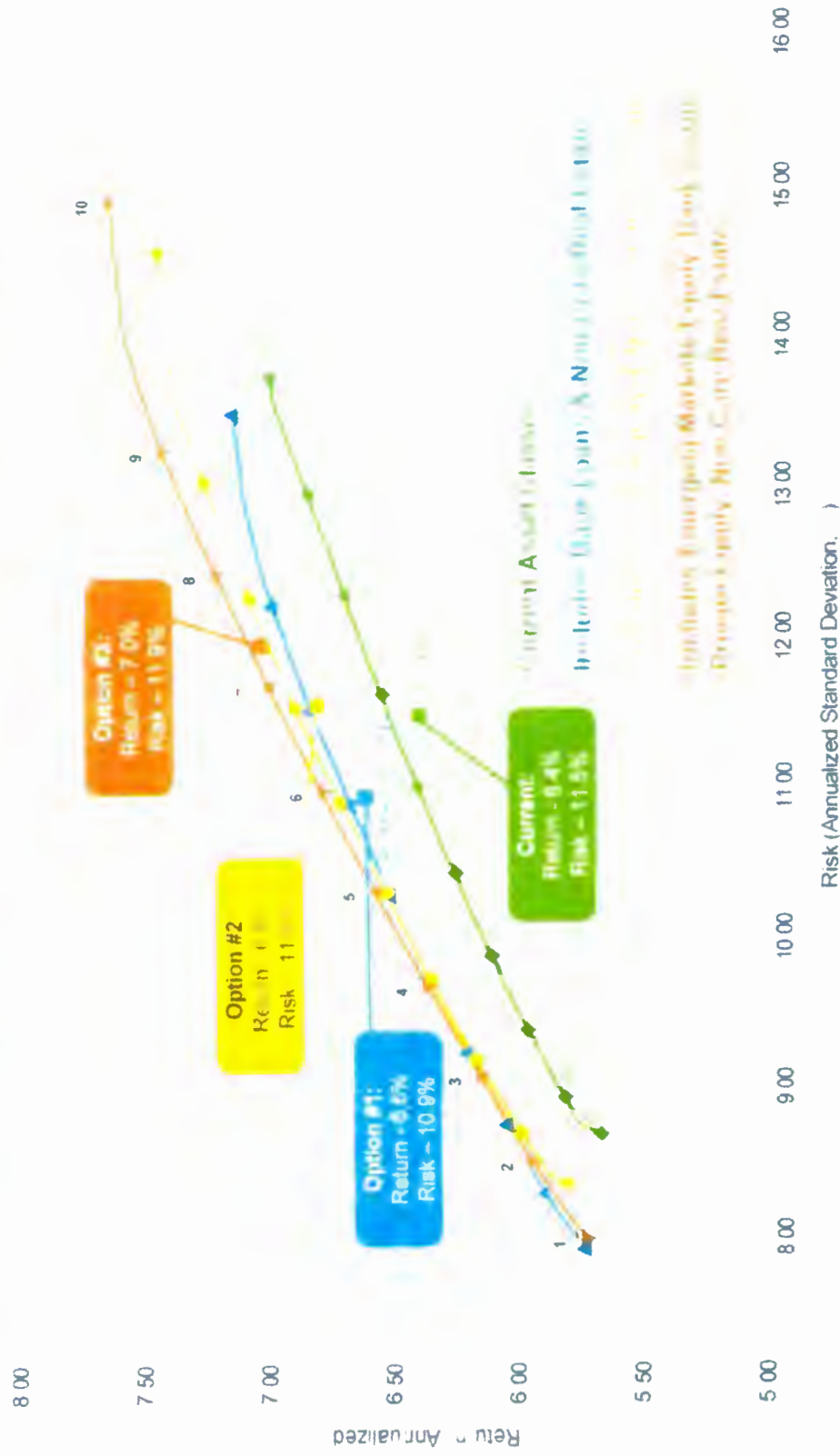
Retirement Plan - Efficient Portfolios

	Min	Max	1	2	3	4	5	6	7	8	9	10	Ret Port T-100	Ret Port C-100	Ret Port M-100	Ret Port S-100
Large/Mid Cap US Equity	20	50	20	20	20	20	20	20	20	20	20	32	33	26	24	20
Small Cap US Equity	0	10	0	0	0	0	0	0	0	0	4	10	8	6	5	4
Broad International Equity	10	20	10	10	10	10	10	11	15	19	20	20	12	15	15	16
Emerging Markets Equity	0	0	0	0	1		4	5	5	5	5	5	0	0	0	5
Int. Duration Fixed Income	10	40	40	35	32	29	26	~	19	15	10	10	22	18	23	18
Bank Loans	0	0	5	5	5	5	5	5	5	5	5	0	0	5	0	5
Core Real Estate	0	8	8	8	8	8	8	8	8	8	8	8	10	10		8
Non-Core Real Estate	0	5	5	5	5	5	5		5	5	5	5	0	5	5	5
GTAA	0	15	12	15	15	15	15	15	15	15	15	2	15	15	13	3
Private Equity	0	8	0	2	4	5	~	8	8	8	8	8	0	0	8	
Total			100	100	100	100	100	100	100	100	100	100	100	100	100	100
Capital Appreciation			35	37	40	43	46	49	53	57	62	80	53	52	57	56
Capital Preservation			45	40	37	34	31	28	24	20	15	10	22	23	23	23
Alpha			12	15	15	15	15	15	15	15	15	2	15	15	13	1
Inflation			8	8	8	8	8	8	8	8	8	8	10	10	~	8
Expected Return			5.72	5.93	6.15	6.36	6.57	6.78	6.99	7.21	7.42	7.63	6.39	6.60	6.79	7.02
Risk (Standard Deviation)			8.00	8.52	9.09	9.69	10.32	10.98	11.69	12.42	13.24	14.90	11.49	10.94	11.57	11.95
Return (Compound)			5.42	5.59	5.76	5.92	6.07	6.22	6.36	6.50	6.61	6.61	5.77	6.04	6.17	6.36
Return/Risk Ratio			0.72	0.70	0.68	0.66	0.64	0.62	0.60	0.58	0.56	0.51	0.56	0.60	0.59	0.59
RVK Expected Eq Beta (LCUS Eq = 1)			0.41	0.44	0.47	0.50	0.54	0.57	0.60	0.64	0.68	0.79	0.62	0.58	0.61	0.62
RVK Liquidity Metric (T-Bills = 100)			77	76	74	73	72	1	71	71	72	74	83	77	74	73

Total Equity cannot exceed 6% of the Total Portfolio

Asset Allocation Study

Efficient Frontier Comparison - Impact of Adding Asset Classes



Asset Allocation Study

Monte Carlo – Impact of Adding Diversifying Asset Classes

- Monte Carlo analysis is a "stress test" to see how portfolios perform in various market environments – 1st percentile is the worst possible outcome, 99th percentile is the best possible outcome, and 50th percentile is the expected outcome
- All potential portfolio options serve to improve capital preservation in down markets over longer-term time periods providing protection to Retirement Plan assets

	1	2	3	4	5	6	7	8	10	Net Worth Target	Net Worth Options #1	Net Worth Options #2	Net Worth Options #3
1 Year													
1st Percentile	1	1	1	1	1	1	1	1	1	38.1	38.1	38.1	38.1
5th Percentile	1	1	1	1	1	1	1	1	1	1	1	1	1
25th Percentile	1	1	1	1	1	1	1	1	1	1	1	1	1
50th Percentile	6.08	6.29	6.50	6.67	6.88	7.05	7.27	7.47	7.65	6.55	6.90	7.06	7.29
75th Percentile	11.21	1.69	12.21	12.76	13.1	13.4	13.7	14.0	14.1	14.41	14.1	14.4	14.89
95th Percentile	18.84	81	81	1.94	0.6	24	52	26.87	28.6	32.59	25	26.49	26.49
99th Percentile	24.51	70	15	28	30.46	1	34.00	38.59	44.06	35.88	33.5	34.06	35.61
3 Years													
1st Percentile	10	10	1	1	1	1	1	1	1	15.00	14	15.42	15.42
5th Percentile	41	41	41	41	41	41	41	41	41	0.8	0.4	1.4	1.4
25th Percentile	2.63	2	2	2	2	2	2	2	2	4.3	1.99	1.4	1.6
50th Percentile	5.77	5.94	6.14	6.32	6.48	6.64	6.82	7.00	7.14	6.06	6.43	6.55	6.79
75th Percentile	1	1	1	1	1	1	1	1	1	10	10	10.92	11.1
95th Percentile	1	1	1	1	1	1	1	1	1	4	4	4	4
99th Percentile	16.46	1	1	1	1	1	1	1	1	22.1	1	1	1
5 Years													
1st Percentile	1	1	1	1	1	1	1	1	1	1	1	1	1
5th Percentile	12	1	1	1	1	1	1	1	1	1	1	1	1
25th Percentile	5.68	5.88	6.05	6.23	6.40	6.59	6.73	6.91	7.03	5.98	6.30	6.47	6.69
50th Percentile	8.14	8.46	8.78	9.11	9.4	9.78	10.11	10.48	10.89	9.68	10.1	10.4	10.7
75th Percentile	11.58	12.09	12.66	13.20	13.7	14	15.03	15.55	16.05	14.85	14	14.90	15.39
95th Percentile	14.00	14.71	15.39	16.16	16.88	17.62	18.47	19.39	20.44	18.62	18.4	18.39	18.99
99th Percentile	1	1	1	1	1	1	1	1	1	1	1	1	1
10 Years													
1st Percentile	0.28	0.25	13	0	0	0	0	0	0	1	1	1	1
5th Percentile	3.67	3.75	3.79	3.84	3.88	3.91	3.92	3.92	3.81	3.09	3.52	3.68	3.78
25th Percentile	5.55	5.73	5.91	6.09	6.25	6.40	6.56	6.69	6.78	5.85	6.14	6.32	6.53
50th Percentile	33	33	33	33	33	33	33	33	33	33	33	33	33
75th Percentile	9.78	10.58	11.03	11.49	11.9	12.4	12.8	13.2	13.6	12	11	12	12
95th Percentile	11.49	12.02	12.57	13.1	13.6	14.35	15.00	15.64	16.44	15	15	15	15
99th Percentile	1	1	1	1	1	1	1	1	1	1	1	1	1

Asset Allocation Recommendation

Recommendation – Based on discussion at the B&F Committee working session (11/22/16), RVK recommends Option #1 for the Retirement Plan's target asset allocation.

- Large Cap U.S. Equity – 26%
- Small/Mid Cap U.S. Equity – 6%
- International Equity – 15%
- Core / Core Plus Fixed Income – 18%
- Bank Loans – 5%
- Core Real Estate – 10%
- Non-Core Real Estate – 5%
- Absolute Return / GTAA – 15%

Rationale –

- Updating the Retirement Plan's strategic asset allocation to include targeted allocations to Bank Loans and Non-Core Real Estate increases the Plan's expected returns over a long-term horizon while simultaneously reducing expected risk (standard deviation), which increases the likelihood of meeting the Plan's 7% expected return objective.

Future Considerations –

- RVK would like to additionally review the asset allocations for all sub-Trusts within the Master Trust to identify opportunities and make recommendations to enhance the Trusts' risk and return profiles.
 - Currently targeting a meeting in 2017 to review with Committees(s) to confirm risk and return objectives.
 - Follow-up with a comprehensive review of all applicable investment policies.

**RESOLUTION OF
THE NAVAJO NATION RETIREMENT PLAN ADMINISTRATION COMMITTEE**

Recommendation to the Budget and Finance Committee for Approval of a Change to the Retirement Plan's Long Term Target Asset Allocation - Detail Provided by the Navajo Nation Investment Committee Resolution No. NNICN-01-16 with attachment "A" Recommending "Option #1" as the Retirement Plan's Long-Term Target Asset Allocation

WHEREAS:

1. Pursuant to Resolution BFMY-41-73, the Budget and Finance Committee of the Navajo Tribal Council, under the auspices of the Navajo Nation Council Resolution CF-21-73, initially adopted the Retirement Plan for Employees of the Navajo Tribe and Certain Tribal Affiliates; and
2. Pursuant to 2 N.N.C. § 374 (B) (7) as amended by Resolution No. CD-68-89 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 employees; and
3. Pursuant to Resolution No. HSCD 13-10 Resolution of the Human Services Committee of the Navajo Nation Council approved and adopted the restated Retirement Plan for the Employees of the Navajo Nation and Participating Affiliates (hereinafter the "Plan"); and
4. Pursuant to Article 11.02 (a) (7) of the Plan, the Retirement Plan Administration Committee is delegated the full power to administer the Plan and to construe and apply all of the Plan provisions, including engaging in such legal, administrative, consulting, actuarial, investment, accounting, and other professional services as the Committee deems proper; and
5. The Navajo Nation Retirement Services has retained an Independent Professional Actuarial Consultant, Willis Towers Watson, to prepare a preliminary report ending September 30, 2016 Annual Actuarial Valuation Report; and
6. The Navajo Nation Investment Committee has coordinated with the Navajo Nation's designated investment consultant, R.V. Kuhns & Associates, Inc., which has provided a recommendation to update the long-term target asset allocation for the Retirement Plan to "Option #1", inclusive of new investments in Bank Loans and Non-Core Real Estate; and
7. The Navajo Nation Retirement Services and the Retirement Plan Administration Committee have provided review of the final report and favorably acknowledge and recommend changes to the Navajo Nation Retirement Plan and its long-term target asset allocation.

NOW THEREFORE BE IT RESOLVED THAT:

The Navajo Nation Retirement Plan Administration Committee hereby recommends to the Budget and Finance Committee for approval of recommendation to update the Retirement Plan's long-term target asset allocation to "Option #1" which includes Bank Loans and Non-Core Real Estate. This change will serve to improve the Retirement Plan's expected long-term return and reduce overall risk, as reflected in the analysis in attachment "A".

CERTIFICATION

I hereby certify that the foregoing resolution was duly considered by the Retirement Plan Administration Committee of the Navajo Nation at a duly called meeting in Las Vegas, Nevada at which a quorum was present and that same was passed by a vote of 4 in favor, 0 opposed, and 1 abstained this 8th day of December, 2016.


 Seth Damon, Chairperson
 Retirement Plan Administration Committee
THE NAVAJO NATION

Motion: Dwight Witherspoon
 Second: Reycita Toddy
 Vote: 4-0-1