

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

24TH NAVAJO NATION COUNCIL - First Year, 2019

AN ACTION

RELATING TO THE BUDGET AND FINANCE COMMITTEE; APPROVING AND
ADOPTING THE AMENDED 1982/1986 CHAPTER CLAIMS FUND SUB-POLICY

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, and Chapter budget and finance, for the purpose of coordinating, overseeing, and regulating the fiscal, financial, investment contracting, and audit policies of the Navajo Nation pursuant to 2 N.N.C. § 300(C)(1); and to promulgate rules and regulations relative to contracting, investment and financial matters pursuant to 2 N.N.C. § 301(B)(1).
- B. The Navajo Nation created the Navajo Nation Investment Committee (Investment Committee) pursuant to Resolution No. CAU-39-73, and the Investment Committee is an advisory group to the Budget and Finance Committee in the management of the Nation's investment program and is responsible for recommending to the Budget and Finance Committee the adoption of modifications to the Master Investment Policy, Sub-Policies, and Asset Class Guidelines, pursuant to the Master Investment Policy, §§ 4.3 and 4.3(a).

SECTION TWO. FINDINGS

- A. In exercising its authorities under 2 N.N.C. §§ 300(C)(1) and 301 (B)(1), the Budget and Finance Committee approved and adopted the investment policies for all Navajo Nation

financial resources (the "Master Investment Policy") pursuant to the Budget and Finance 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.

- B. Pursuant to §§ 4.3(a) and 4.8(a) of the Master Investment Policy, the Investment Consultant, makes recommendations to the Budget and Finance committee for all modifications to the Master Investment Policy, Sub-Policies, and Asset Class Guidelines, and pursuant to § 4.1, the Budget and Finance Committee has final authority to approve such modifications.
- C. The Investment Committee and the Nation's Investment Consultant, RVK, Inc. (RVK) have recommended that the Budget and Finance Committee approve the recommendation to modify the Allocation of Assets in the 1982/1986 Chapter Claims Fund Sub-Policy to the Moderate Target Asset Allocation and the Investment Committee's Resolution No. NNICF-11-18 along with RVK's recommendations are attached hereto as Exhibit 1.
- D. The Budget and Finance Committee has considered the recommendations of the Investment Committee and RVK and finds that these actions are in the Nation's best interest.

SECTION THREE. APPROVAL

- A. The Budget and Finance Committee hereby accepts the recommendations of the Investment Committee and RVK and hereby approves and adopts the Amended 1982/1986 Chapter Claims fund Sub-Policy, an underscored and over stricken version of which is attached hereto as **Exhibit 2** and a clean version of which is attached hereto as **Exhibit 3**.
- B. The Amended 1982/1986 Chapter Claims fund Sub-Policy shall become effective immediately upon the Budget and Finance Committee's approval of this legislation.

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 LeChee, 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 5th day of November 2019.



Raymond Smith, Jr., Vice Chairperson
Budget and Finance Committee

Motion: Honorable Nathaniel Brown
Second: Honorable Jimmy Yellowhair



NAVAJO NATION DEPARTMENT OF JUSTICE

DOCUMENT REVIEW REQUEST FORM



DOJ
9/13/19 3:57pm
DATE / TIME
<input type="checkbox"/> 7 Day Deadline
DOC #: 013390
SAS #:
UNIT: TEFU

☐ 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: 9/13/19	ENTITY/DIVISION: Finance		
CONTACT NAME: Brent Wunneka	DEPARTMENT: OLC - Investments		
PHONE NUMBER: x6023	E-MAIL: bwunneka@nndoj.org		
TITLE OF DOCUMENT: NNICF-11-18 1982/1986 Chapter Sub-Policy			
DOJ SECRETARY TO COMPLETE			
DATE/TIME IN UNIT: SEP 13 2019 4:17pm		REVIEWING ATTORNEY/ADVOCATE: Jana Werner	
DATE/TIME OUT OF UNIT:			
DOJ ATTORNEY / ADVOCATE COMMENTS			
<p>LEGALLY SUFFICIENT. The attached Proposed Budget and Finance Committee Resolution, Approving the Amended 1982/1986 Chapter Claims Fund Sub-Policy, which was emailed to Jana Werner on August 2 by Martina Smiley of OLC, is LEGALLY SUFFICIENT. The BFC Resolution adopts the Investment Committee recommendation in NNICF-11-18.</p>			
REVIEWED BY: (PRINT)	DATE / TIME	SURNAMED BY: (PRINT)	DATE / TIME
Jana C. Werner	9-16-19 10:50am	Jana C. Werner	9-16-19 10:50am
DOJ Secretary Called: Em Brent Wunneka for Document Pick Up on 9-16-19 at 12:11pm By: ck			
PICKED UP BY: (PRINT)		DATE / TIME:	

NNDOJ/DRRF-July 2013



Sponsor's COPY

SCANNED
9/16/19 12:15pm

Document No. 013390Date Issued: 09/13/2019**EXECUTIVE OFFICIAL REVIEW**

Title of Document: NNICF-11-18 1982/1986 Chapter Sub-Policy Contact Name: AUTONATION PARTS CENTER
Program/Division: OFFICE OF THE CONTROLLER
Email: btwauneka@nnooc.org Phone Number: 928-871-6023

☐ **Business Site Lease** Sufficient Insufficient
1. Division: _____ Date: _____ ☐ ☐
2. Office of the Controller: _____ Date: _____ ☐ ☐
(only if Procurement Clearance is not issued within 30 days of the initiation of the E.O. review)
3. Office of the Attorney General: _____ Date: _____ ☐ ☐

☐ **Business and Industrial Development Financing, Veteran Loans, (i.e. Loan, Loan Guarantee and Investment) or Delegation of Approving and/or Management Authority of Leasing transactions**
1. Division: _____ Date: _____ ☐ ☐
2. Office of the Attorney General: _____ Date: _____ ☐ ☐

☐ **Fund Management Plan, Expenditure Plans, Carry Over Requests, Budget Modifications**
1. Office of Management and Budget: _____ Date: _____ ☐ ☐
2. Office of the Controller: _____ Date: _____ ☐ ☐
3. Office of the Attorney General: _____ Date: _____ ☐ ☐

☐ **Navajo Housing Authority Request for Release of Funds**
1. NNEPA: _____ Date: _____ ☐ ☐
2. Office of the Attorney General: _____ Date: _____ ☐ ☐

☐ **Lease Purchase Agreements**
1. Office of the Controller: _____ Date: _____ ☐ ☐
(recommendation only)
2. Office of the Attorney General: _____ Date: _____ ☐ ☐

☐ **Grant Applications**
1. Office of Management and Budget: _____ Date: _____ ☐ ☐
2. Office of the Controller: _____ Date: _____ ☐ ☐
3. Office of the Attorney General: _____ Date: _____ ☐ ☐

☒ **Five Management Plan of the Local Governance Act, Delegation of an Approving Authority from a Standing Committee, Local Ordinances (Local Government Units), or Plans of Operation/Division Policies Requiring Committee Approval**

1. Division: Joe Luna Date: 9/13/19 ☒ ☐
2. Office of the Attorney General: Jama E. Winer Date: 9-16-19 ☒ ☐

☐ **Relinquishment of Navajo Membership**
1. Land Department: _____ Date: _____ ☐ ☐
2. Elections: _____ Date: _____ ☐ ☐
3. Office of the Attorney General: _____ Date: _____ ☐ ☐

THE NAVAJO NATION

JONATHAN NEZ | PRESIDENT MYRON LIZER | VICE PRESIDENT



MEMORANDUM

TO: ALL CONCERNED

FROM: 
Pearline Kirk, Controller
Office of the Controller

DATE: August 5, 2019

SUBJECT: STANDING DELEGATION OF AUTHORITY

This memorandum will serve to inform you that when Ms. Pearlline Kirk, Controller of the Navajo Nation is on leave or on travel status, the following order of delegation will be in effect immediately. The individuals will be delegated the responsibility to sign any documents that are of a "routine" nature, and all other documents considered "significantly questionable" will be referred to the Controller upon return. This delegation will be continuous until rescinded or revised in writing.

Your cooperation with the delegated individuals is expected and appreciated. Thank you.

ACKNOWLEDGEMENT:


Robert Willie, Accounting Manager


Laura Johnson, FMIS Project Manager


Loretta Largo, Accounting Manager


Lorena Eldridge, Accounting Manager


Gerald Shirley, Accounting Manager

NAVAJO NATION OFFICE OF THE CONTROLLER

POST OFFICE BOX 3150 · WINDOW ROCK, AZ 86515 · PHONE: (928) 871-6328 · FAX: (928) 871-6026

NNICF-11-18

**RESOLUTION OF
THE NAVAJO NATION INVESTMENT COMMITTEE**

**Approving and Recommending to the Budget and Finance Committee an Amendment to the
Allocation of Assets in the 1982/1986 Chapter Claims Fund Sub-Policy**

WHEREAS:

1. The Navajo Nation created the Navajo Nation Investment Committee pursuant to Resolution No. CAU-39-73 and the Budget and Finance Committee adopted investment policies for all Navajo Nation financial resources (the "Master Investment Policy") pursuant to Budget and Finance Committee Resolution No. BFO-61-90, as amended by BFJY-114-03, BFJA-01-08, BFJN-17-15, BFD-38-17, and BFD-41-17; and

2. The Navajo Nation Investment Committee 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, Section 4.3(a), and for the approval of investment manager and custodial contracts as recommended by the investment consultant pursuant to the Master Investment Policy, Section 4.3(d); and

3. The Controller, pursuant to her duties under the Master Investment Policy, Section 4.4, has coordinated with the Navajo Nation's designated investment consultant, RVK, Inc., a recommendation to amend the Allocation of Assets in the 1982/1986 Chapter Claims Fund Sub-Policy to the Moderate Target Asset Allocation which increases future expected returns by diversifying into additional asset classes; and

4. The Navajo Nation Investment Committee has reviewed RVK Inc.'s review and recommendation relating to the amendment of the Allocation of Assets in the 1982/1986 Chapter Claims Fund Sub-Policy, attached hereto as Exhibit A.

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 amend the Allocation of Assets in the 1982/1986 Chapter Claims Fund Sub-Policy to the Moderate Target Asset Allocation, hereto attached as Exhibit B.

CERTIFICATION

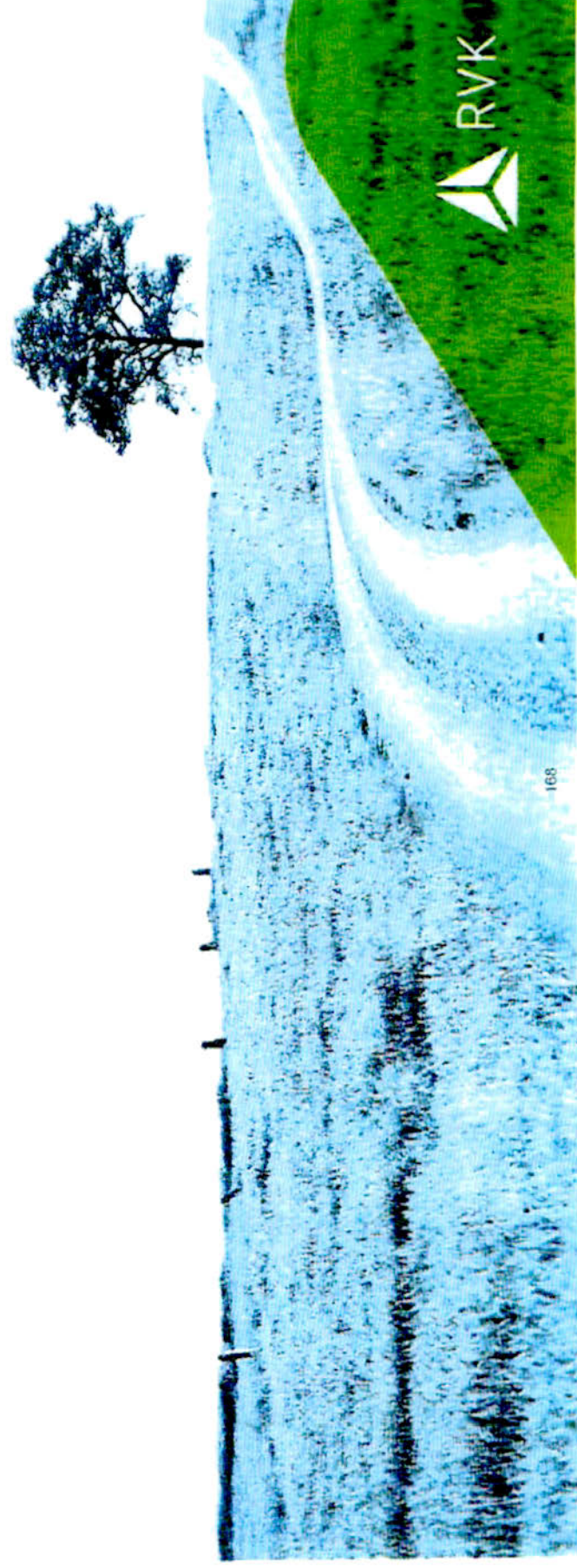
I hereby certify that the foregoing resolution was duly considered by the Navajo Nation Investment Committee, at a duly called meeting at the Quality Inn in Window Rock, Arizona at which a quorum was present and that same was passed by a vote of 3 in favor, 0 opposed, and 0 abstained, this 23rd day of February, 2018.



Pearline Kirk
Presiding Chairperson
Navajo Nation Investment Committee

Motion: Seth Damon
Second: Tom Chee
Vote: 3-0-0

Chapter Claims – Asset Allocation Review



Chapter Claims Trusts – Objectives & Constraints

Return Objective

The 1982 & 1986 Chapter Claims Trusts' investment objective is to return 3.2% above inflation (based on the Consumer Price Index), while minimizing risk to principal.

Risk Tolerance

The Trusts have a **moderate** risk tolerance due to an objective to continue to grow the size of the Trusts and a perpetual time horizon.

Investment Constraints

Liquidity and Income Generation –

- The Chapter Claims Trusts distribute 95% of income to Navajo Chapters; 5% of the Trusts' income is reinvested.
- Due to annual income distributions to Chapters, the Trusts have been cash flow negative. Combined, the 1982 & 1986 Chapter Claims Trusts have averaged an outflow of \$3.4 million over the past 12 calendar years.

Chapter Claims Trusts – Asset Allocation

Portfolio Comparison (Including Additional Asset Classes)

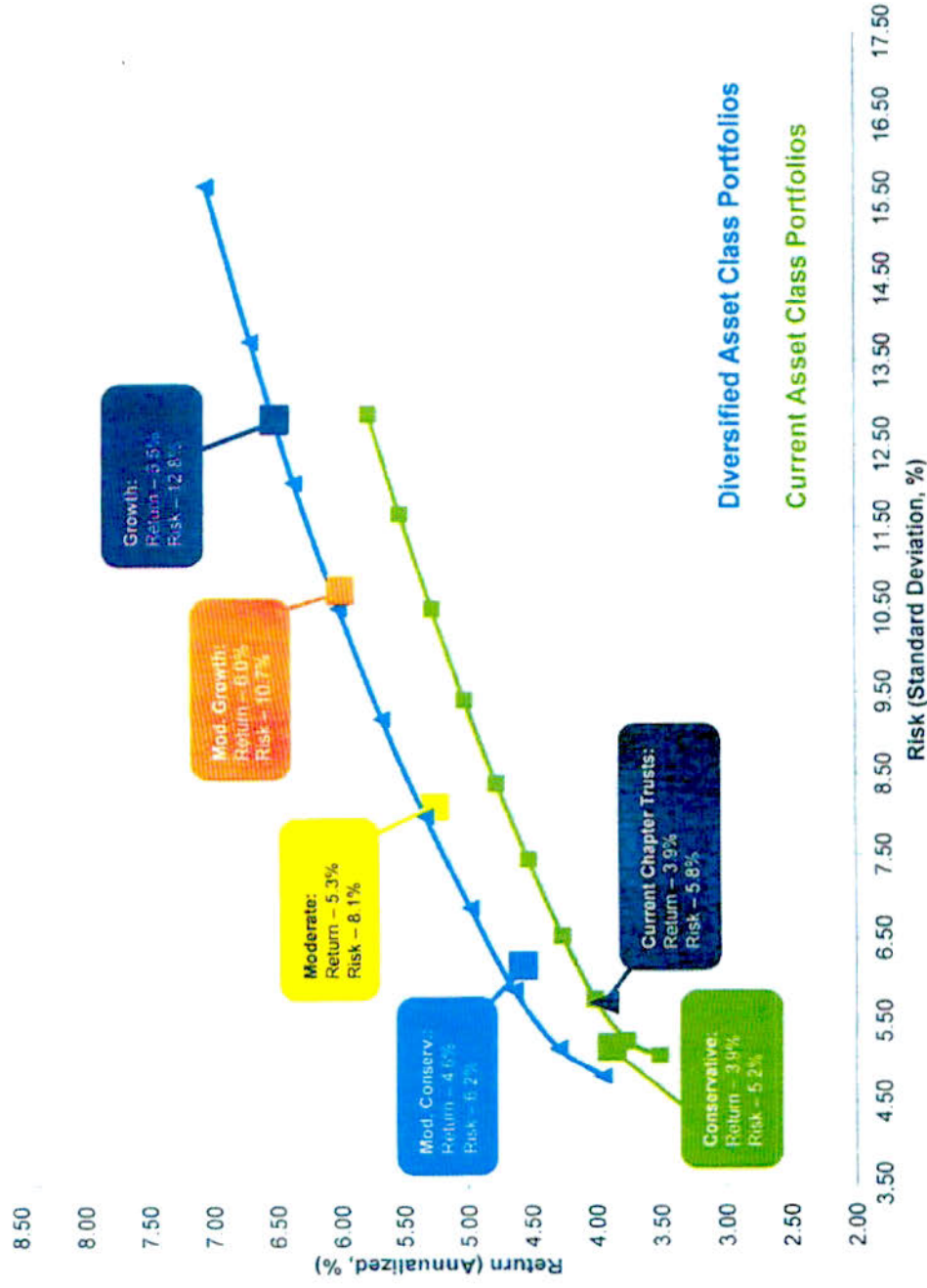
	Chapter Claims	Conserv.	Mod. Conserv.	Moderate	Mod. Growth	Growth
Large/Mid Cap US Equity	15	4	8	16	25	32
Small Cap US Equity	0	0	2	2	5	8
Broad International Equity	0	4	8	13	18	20
Int. Duration Fixed Income	70	60	50	50	30	15
Low Duration Fixed Income	15	25	16	0	0	0
Core Real Estate	0	0	4	6	8	10
GTAA	0	7	12	13	14	15
Total	100	100	100	100	100	100
Capital Appreciation	15	8	18	31	48	60
Capital Preservation	85	85	66	50	30	15
Alpha	0	7	12	13	14	15
Inflation	0	0	4	6	8	10
Expected Return	3.9	3.9	4.6	5.3	6.0	6.5
Risk (Standard Deviation)	5.8	5.2	6.2	8.1	10.7	12.8
Return (Compound)	3.8	3.8	4.4	4.9	5.5	5.8
Return/Risk Ratio	0.68	0.75	0.74	0.65	0.56	0.51
RVK Expected Eq Beta (LCUS Equity = 1)	0.2	0.2	0.3	0.4	0.6	0.7
RVK Liquidity Metric (T-Bills = 100)	87	86	84	84	84	84

Model Constraints: Broad International Equity cannot exceed Large/Mid Cap US Equity.



Chapter Claims Trusts – Asset Allocation

Efficient Frontier Comparison – Impact of Adding Asset Classes



Chapter Claims Trusts – Asset Allocation

Monte Carlo Analysis – Expected Return By Percentile

	Chapter Claims	Conservative	Mod. Conservative	Moderate	Mod. Growth	Growth
1 Year						
1st Percentile	(13.18)	(10.06)	(12.87)	(17.79)	(24.23)	(29.28)
5th Percentile	(4.87)	(3.03)	(4.92)	(7.85)	(11.69)	(14.68)
25th Percentile	1.19	1.58	1.26	0.63	(0.58)	(1.52)
50th Percentile	4.30	4.15	4.78	5.41	6.11	6.59
75th Percentile	7.37	6.66	8.36	10.46	13.03	15.06
95th Percentile	11.58	10.22	13.47	17.47	22.91	27.07
99th Percentile	14.59	12.80	17.36	23.30	31.02	36.85
3 Years						
1st Percentile	(6.46)	(5.33)	(6.23)	(9.75)	(14.40)	(18.12)
5th Percentile	(1.41)	(0.52)	(1.50)	(3.09)	(5.59)	(7.59)
25th Percentile	2.16	2.49	2.52	2.27	1.70	1.17
50th Percentile	4.14	4.09	4.71	5.33	5.93	6.33
75th Percentile	5.89	5.59	6.86	8.29	10.01	11.25
95th Percentile	8.47	7.82	10.02	12.74	16.12	18.73
99th Percentile	10.17	9.28	12.23	15.82	20.41	24.09
5 Years						
1st Percentile	(4.69)	(3.39)	(4.84)	(6.95)	(10.30)	(13.88)
5th Percentile	(0.41)	0.20	(0.32)	(1.48)	(3.38)	(4.96)
25th Percentile	2.46	2.68	2.76	2.70	2.35	1.95
50th Percentile	4.00	4.02	4.63	5.17	5.68	6.02
75th Percentile	5.48	5.23	6.31	7.54	8.98	10.02
95th Percentile	7.45	6.95	8.80	10.99	13.72	15.74
99th Percentile	8.80	8.16	10.51	13.55	17.41	20.20
10 Years						
1st Percentile	(2.61)	(1.47)	(1.95)	(3.52)	(5.50)	(7.61)
5th Percentile	0.66	1.06	0.90	0.10	(1.18)	(2.29)
25th Percentile	2.79	2.95	3.21	3.27	3.10	2.86
50th Percentile	3.93	3.95	4.55	5.10	5.58	5.88
75th Percentile	4.99	4.84	5.77	6.81	7.97	8.75
95th Percentile	6.45	6.06	7.49	9.18	11.24	12.77
99th Percentile	7.48	6.90	8.76	11.00	13.85	15.93

99th Percentile represents the extreme upside. 1st percentile represents the extreme downside, and 50th percentile represents the expected outcome.

Chapter Claims Trusts – Asset Allocation

Considerations and Next Steps

- The Chapter Claims Trusts' target asset allocations are currently very conservative, particularly since the Trusts' objective is to provide a return of CPI + 3.2%.
- The Trusts' target asset allocations can be adjusted to increase expected returns by diversifying into Small Cap US Equity, International Equity, Core Real Estate and GTAA. Incorporating these asset classes generally serves to improve the expected return for all risk levels.
- The "Moderate" portfolio may be suitable for the Trusts' overall risk/return profile, subject to the Investment Committee's preference.
- No new investments would be required to implement a new target asset allocation for the Land Acquisition Trust – 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.

MODERATE

Amended
1982/1986 Chapter Claims Fund
 (Sub-Policy)

STATEMENT OF INVESTMENT OBJECTIVES, GUIDELINES AND PROCEEDURES

A. General. This statement governs the investment of 1982/1986 Chapter Claims 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 & and 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 Sub-Policy of the 1982/1986 Chapter Claims 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. Briefly, the 1982/1986 Chapter Claims Fund was established as a result of judgment funds awarded to ~~the~~ The Navajo Nation in 1982 and in 1986 (U.S. Court of Claims Docket Nos. 69 60 and 299, 256-69-~~353~~, and 377-70, ~~and~~ 588-83L, and 353). The Fund's purpose is to pay for the operation needs of the various chapters that comprise the Nation. As per Resolution CD-677-86 ~~if~~ of the Navajo Tribal Council:

1. Ninety-five percent (95%) of Fund income may be distributed annually to each ~~certified~~ Certified Navajo Chapter based on the number of registered voters. Each ~~Chapter~~ chapter shall determine the most appropriate use of all funds received; provided that all Fund uses must be for the common benefit of chapter members and for the general, social and economic development of the local chapters, and ~~Chapter~~ chapter operating and maintenance expenses; and provided that expenditure is pursuant to an annual ~~Chapter~~ chapter budget approved by the voting members of the ~~Chapter~~ chapter.
2. Five percent (5%) of Fund income shall be reinvested in the Fund to cover the rate of inflation and to provide for reasonable Fund growth.

Fund income is defined as realized income including interest, dividends and realized gains or losses.

MODERATE

1982/1986 Chapter Claims Fund

Sub-policy

All monies deposited into the Fund 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 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 & and 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 1982/1986 Chapter Claims Fund. Preservation of principal is of high priority and essential over the long term.

C. Investment Objectives. The primary objectives of the Fund shall be to:

~~The primary objectives of the Fund shall be:~~

- Retain sufficient investment return within the fund to offset the effects of inflation over time;
- Maintain liquidity of investments to meet the budgeted program cash flows; and
- Minimize risk to investment principal.

Financial objectives of the Fund have been established in conjunction with a comprehensive review of the current and projected long-term financial requirements of the Fund. The targeted rate of return is 3.2% above the 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 Fund. It is the Committee's belief that the ~~asset-allocation-ranges~~ Target Asset Allocation specified in this policy statement will achieve the stated objectives.

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.

MODERATE

1982/1986 Chapter Claims Fund

Sub-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~~ its duties with prudence and ethics as stated in Section 3 of the Navajo Nation Master Investment Policies.

E. Investment Policy Guidelines. The Budget & and 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 & and 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 1982/1986 Chapter Claims 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 & and 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 as~~ as set forth below.

Investment Time Horizon

In making investment strategy decisions for the Fund, 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.

F. Target Asset Allocation. ~~Allocation of Assets.~~ It shall be the policy of the Fund to be invested in accordance with the ~~maximum and minimum range~~ Target Asset Allocation for each asset class as stated below:

<u>Asset Class</u>	<u>Minimum</u>	<u>Target</u>	<u>Maximum</u>
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MODERATE

1982/1986 Chapter Claims Fund

Sub-policy

Fixed Income and Cash Equivalents	35%	40%	45%
—Short/Intermediate	20%	25%	30%
—Core Plus	70%	75%	80%
U.S. Equity	45%	40%	55%
—Large Cap	85%	92%	100%
—Small Cap	0%	8%	15%
Non-U.S. Equity	0%	10%	20%
Core Real Estate	0%	10%	20%

Target Asset Allocation			
	Minimum	Target	Maximum
U.S. Equity	<u>12%</u>	<u>18%</u>	<u>24%</u>
Large Cap	<u>12%</u>	<u>16%</u>	<u>20%</u>
Small / Mid Cap	<u>0%</u>	<u>2%</u>	<u>4%</u>
International Equity	<u>9%</u>	<u>13%</u>	<u>17%</u>
Core / Core Plus Fixed Income	<u>40%</u>	<u>50%</u>	<u>60%</u>
Core Real Estate	<u>0%</u>	<u>6%</u>	<u>8%</u>
Absolute Return / GTAA	<u>9%</u>	<u>13%</u>	<u>17%</u>
Cash Equivalents	<u>0%</u>	<u>0%</u>	<u>5%</u>

The ~~asset allocation ranges~~ Target Asset Allocation established by this investment policy represents 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 Fund on a quarterly basis and rebalance to within policy ranges as necessary.

FG. 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.

MODERATE

1982/1986 Chapter Claims Fund

Sub-policy

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~~ based upon the Fund's target asset allocation.

MODERATE

Amended
1982/1986 Chapter Claims Fund
(Sub-Policy)

STATEMENT OF INVESTMENT OBJECTIVES, GUIDELINES AND PROCEEDURES

A. General. This statement governs the investment of 1982/1986 Chapter Claims 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 and 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 Sub-Policy of the 1982/1986 Chapter Claims 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. Briefly, the 1982/1986 Chapter Claims Fund was established as a result of judgment funds awarded to The Navajo Nation in 1982 and in 1986 (U.S. Court of Claims Docket Nos. 60 and 299, 256-69 and 377-70, 588-83L, and 353). The Fund's purpose is to pay for the operation needs of the various chapters that comprise the Nation. As per Resolution CD-67-86 of the Navajo Tribal Council:

1. Ninety-five percent (95%) of Fund income may be distributed annually to each Certified Navajo Chapter based on the number of registered voters. Each chapter shall determine the most appropriate use of all funds received; provided that all Fund uses must be for the common benefit of chapter members and for the general, social and economic development of the local chapters, and chapter operating and maintenance expenses; and provided that expenditure is pursuant to an annual chapter budget approved by the voting members of the chapter.
2. Five percent (5%) of Fund income shall be reinvested in the Fund to cover the rate of inflation and to provide for reasonable Fund growth.

Fund income is defined as realized income including interest, dividends and realized gains or losses.

MODERATE
1982/1986 Chapter Claims Fund
Sub-policy

All monies deposited into the Fund 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 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 and 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 1982/1986 Chapter Claims Fund. Preservation of principal is of high priority and essential over the long term.

C. Investment Objectives. The primary objectives of the Fund shall be to:

- Retain sufficient investment return within the fund to offset the effects of inflation over time;
- Maintain liquidity of investments to meet the budgeted program cash flows; and
- Minimize risk to investment principal.

Financial objectives of the Fund have been established in conjunction with a comprehensive review of the current and projected long-term financial requirements of the Fund. The targeted rate of return is 3.2% above the 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 Fund. It is the Committee's belief that the Target Asset Allocation specified in this policy statement will achieve the stated objectives.

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

MODERATE
1982/1986 Chapter Claims Fund
Sub-policy

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 its duties with prudence and ethics as stated in Section 3 of the Navajo Nation Master Investment Policies.

E. Investment Policy Guidelines. The Budget and 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 and Finance Committee anticipates that the Investment Committee will make interim qualitative judgments. Specific qualitative factors 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 1982/1986 Chapter Claims Fund. 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 and Finance Committee the long-term asset allocation.

Long term

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

Investment Time Horizon

In making investment strategy decisions for the Fund, 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.

F. Target Asset Allocation. It shall be the policy of the Fund to be invested in accordance with the Target Asset Allocation for each asset class as stated below:

MODERATE
1982/1986 Chapter Claims Fund
Sub-policy

Target Asset Allocation			
	Minimum	Target	Maximum
U.S. Equity	<u>12%</u>	<u>18%</u>	<u>24%</u>
Large Cap	<u>12%</u>	<u>16%</u>	<u>20%</u>
Small / Mid Cap	<u>0%</u>	<u>2%</u>	<u>4%</u>
International Equity	<u>9%</u>	<u>13%</u>	<u>17%</u>
Core / Core Plus Fixed Income	<u>40%</u>	<u>50%</u>	<u>60%</u>
Core Real Estate	<u>0%</u>	<u>6%</u>	<u>8%</u>
Absolute Return / GTAA	<u>9%</u>	<u>13%</u>	<u>17%</u>
Cash Equivalents	<u>0%</u>	<u>0%</u>	<u>5%</u>

The Target Asset Allocation established by this investment policy represents 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 Fund on a quarterly basis and rebalance to within policy ranges as necessary.

G. 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 based upon the Fund's target asset allocation.

BUDGET AND FINANCE COMMITTEE

5 November 2019

Regular Meeting

VOTE TALLY SHEET:

Legislation No. 0291-19: An Action Relating to the Budget and Finance Committee: Approving and Adopting the Amended 1982/1986 Chapter Claims Fund Sub-Policy *Sponsored by Jamie Henio, Council Delegate*

Motion: Nathaniel Brown

Second: Jimmy Yellowhair

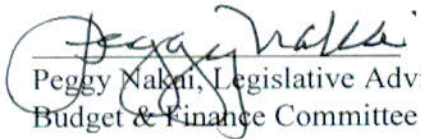
Vote: 5-0, Vice Chairman not voting

Vote Tally:

Jamie Henio	yea	
Jimmy Yellowhair	yea	
Raymond Smith Jr.		
Elmer P. Begay	yea	
Amber K. Crotty	yea	
Nathaniel Brown	yea	



Raymond Smith, Jr., Vice Chairman
Budget & Finance Committee



Peggy Nakai, Legislative Advisor
Budget & Finance Committee