

TREASURY DIVISION
DEPARTMENT OF REVENUE
STATE OF ALASKA

• • • • • Version 5.0 Released January 23, 2018 • • • • •

D. Alaska Higher Education Investment Fund – Investment Policy Statement

1. Overview

On September 1, 2012, the Alaska Higher Education Investment Fund was capitalized with a \$400 million deposit from receipts of the Alaska Housing Capital Corporation. The fund was established to make grants and scholarship payments to qualified postsecondary institutions for students. The Legislature may appropriate up to seven percent of the fund's prior June 30 market value balance each year.

On January 28, 2013 the Alaska Higher Education Investment Fund was moved out of the General Fund into a segregated fund, and an asset allocation was approved to generate earnings sufficient to meet the seven percent annual appropriation amount as required by AS 37.14.750.(c).

AS 37.14.750 delineates that two-thirds of each year's appropriation be allocated for Alaska Performance Scholarship Awards and one-third of appropriation be allocated for AlaskAdvantage Education Grants.

- **Alaska Performance Scholarship Award:** Assumptions are based on an average award level of \$3,419 for each recipient, with student eligibility rates increasing over time from 28% to 44% of high school graduates. It is further assumed that the utilization rates will increase over time from 36% to 50%.
- **AlaskAdvantage Education Grant:** Recipients receive an average award of \$1,580. The awards are made relative to the pool of applicants specific to a given academic year. The applicant pool is ranked in order of greatest to least financial need and AlaskAdvantage Education Grants are awarded until available funds are exhausted or all eligible applicants are awarded, whichever occurs first.

2. History

- **FY2014.** \$8 million was allocated for Alaska Performance Scholarship Awards, and \$4 million was allocated for AlaskAdvantage Education Grants.

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- FY2015. \$11 million was allocated for Alaska Performance Scholarship Awards, and \$5.5 million was allocated for AlaskAdvantage Education Grants.
- FY2016. \$11.5 million was allocated for Alaska Performance Scholarship Awards, and \$5.75 million was allocated for AlaskAdvantage Education Grants.
- FY2017. \$11.5 million was allocated for Alaska Performance Scholarship Awards, and \$5.75 million was allocated for AlaskAdvantage Education Grants.
- FY2018. \$11.75 million was allocated for Alaska Performance Scholarship Awards, and \$5.875 million was allocated for AlaskAdvantage Education Grants.

Total invested assets in the Alaska Higher Education Investment Fund (AY3L) at June 30 have been:

Fiscal Year	Earnings	Fair Value
2013	8,191,607	406,437,846
2014	65,915,884	460,672,112
2015	13,893,789	458,758,594
2016	2,991,344	439,543,309
2017	43,695,898	369,799,589

3. Management

The fund is managed by the Department of Revenue, Treasury Division. As soon as practicable after July 1 of each year, the Commissioner of Revenue shall determine the market value of the fund on June 30 for the immediately preceding fiscal year. The Commissioner shall identify seven percent of that amount as available for appropriation.

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4. Investment Policy

As of July 1, 2017, the asset allocation targets an expected return of 6.21%. This allocation has an equity component which equals 62%, with fixed income at 33%, and REITS at 5%. The expected standard deviation is 12.70%. Treasury invests the Alaska Higher Education Investment Fund with the following in mind:

Risk Tolerance	High
Investment Objectives	High exposure of principal to loss in return for higher expected longer-term returns. Limited current income requirement. Limited inflation protection needed. Moderate liquidity requirement.
Time Horizon	Long.

Effective July 1, 2017, Treasury's investment policy for the Alaska Higher Education Investment Fund (AY3L) is:

38% ± 5%	Domestic Equity Pool
24% ± 5%	International Equities
28% ± 5%	Broad Market Pool
5% ± 5%	High Yield
5% ± 5%	REITs
0% + 2%	Short-Term Pool

Effective July 1, 2017, Treasury's performance benchmark(s) for the Alaska Higher Education Investment Fund (AY3L) is:

38%	Russell 3000
24%	MSCI ACWI ex-US
28%	Barclays US Aggregate
5%	US High Yield BA x-144As 2% Cap
5%	FTSE NAREIT All Equity Index

Version Control

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Revision Date	Effective Date	Summary of Changes	Find it in Version
1/31/13	1/31/13	Created Overview, History, Management, Facts and Figures, and Investment Policy sections.	3.6
7/1/13	7/1/13	Updated Facts and Figures, and Investment Policy sections	3.7
10/23/14	10/23/14	Updated Facts and Figures, and Investment Policy sections	3.8
7/30/15	7/30/15	Updated Facts and Figures, and Investment Policy sections	3.9
8/1/16	8/1/16	Updated Facts and Figures, and Investment Policy sections	4.0
11/1/17	11/1/17	Updated Facts and Figures, and Investment Policy sections	5.0