



# City of Homer

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Finance Department

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## Memorandum 17-066

TO: Mayor Zak and Homer City Council  
THROUGH: Katie Koester, City Manager  
FROM: Elizabeth Walton, Finance Director  
DATE: April 19, 2017  
SUBJECT: Permanent Fund Investment Policy Review

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The purpose of this memo is to review the performance of the Permanent Fund and discuss the investment policy.

### **Brief Account Overview:**

	FY 2016 Earnings	Account Balance (as of 2/28/17)	Allocation (as of 2/28/17)
Income Sub-Fund	6,772.00	723,822.45	32%
Growth Sub-Fund	18,315.97	1,556,176.01	68%
<b>Total Across Permanent Fund</b>	<b>\$ 25,087.97</b>	<b>\$ 2,279,998.46</b>	<b>100%</b>

### **Other Relevant Statistics:**

Anchorage CPI: 2.4%

Amount needed to reinvest to inflation proof: \$54,719.96

### **Recommendations:**

1. Reinvest earnings for Permanent Fund to help adjust for inflation (\$25,087).
2. Look to remove HCC 3.10.130 (5), due to fact it is not applicable to current account structure. This was a holdover from the old structure.
3. Perform redistribution of funds to bring Permanent Fund account in line with HCC 3.12.030, which states that 40% of account balance be invested in the income sub-fund and 60% in the growth sub-fund. Subsequent adjustments will be made at the beginning of the 4<sup>th</sup> quarter, consistent with City Code.
4. Evaluate the fund performance on a semi-annual basis and reinvest account earnings as necessary.

Enclosed:

Illustration showing sub-fund holdings and performance for 2016