



THE STATE
of **ALASKA**
GOVERNOR MIKE DUNLEAVY

Department of Revenue

ALASKA RETIREMENT MANAGEMENT BOARD

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July 9, 2021

Thank you for your correspondence regarding the Alaska Retirement Management Board's ("ARMB") fossil fuel related investments.

The ARMB is guided by Alaska Statutes and prudent investor considerations in exercising its duties on behalf of the funds. To meet the obligations of the systems, the ARMB "shall apply the prudent investor rule and exercise the fiduciary duty in the sole financial best interest of the fund" and shall diversify investments consistent with this duty (AS 37.10.071(c) and AS 13.36.235). This fiduciary duty is narrower in scope and more restrictive than the typical prudent investor rule that most institutional investors are held to.

Fossil fuel investments comprise less than 5% of the portfolio and most of the exposure is through broad-market passive index funds. The ARMB does not view divestment of these investments to be in the sole financial best interest of the funds because it reduces the investable opportunity set and diversification.

The ARMB and its managers evaluate investment opportunities with consideration for all relevant sources of risk and return and will continue to do so in the sole financial best interest of the fund.

For a fuller discussion of these issues, please reference item 12 from the June 2020 ARMB meeting on the incorporation of ESG into the investment process:

<https://treasury.dor.alaska.gov/armb/Meetings-and-Minutes/Meetings-and-Minutes-Archive.aspx?folderId=513&view=gridview&pageSize=10>

Thank you again for reaching out on this matter.

Sincerely,

Lucinda Mahoney

Lucinda Mahoney
Commissioner, Department of Revenue

Handwritten signature of Robert M. Johnson in black ink.

Robert M. Johnson
ARMB Chair