140.015 Investment Policy for Retirement, Disability and Death Benefit Plan

Bd. Min. 6-26-12, Revised Bd. Min. 6-14-13, Revised Bd. Min. 9-12-13, Revised 6-25-15, Revised 2-4-16; Revised 4-14-16; Amended Bd. Min. 9-28-17; Amended Bd. Min. 11-19-20; Bd. Min. 4-21-22; Amended 6-29-23; Amended 9-12-24.

A. **Introduction** -- The University's Retirement, Disability and Death Benefit Plan ("Plan") was established to provide retirement income and other stipulated benefits to qualified employees in amounts and under the conditions described in the plan. A Trust was established in 1958 and is being funded to provide the financial security of those benefits.

B. **Responsibilities and Authorities –** See CRR 140.010 "*Policy for Management and Oversight of Selected University Investment Pools*."

C. **Investment objectives** -- The primary objective to be achieved in the active management of Trust assets is to provide for the full and timely payment of retirement, disability and death benefits to qualified employees. In order to fulfill this objective the University must maintain a prudent actuarially sound funding of the Plan's liabilities. This funding requirement is derived from three principal sources; the total investment return on Trust assets and the amount of University and employee contributions.

   Trust assets should be managed in a manner that maximizes returns while attempting to minimize losses during adverse economic and market events, with an overall appetite for risk governed by the Plan's liability structure and the need to make promised benefit payments to members over time. This will be accomplished through a more 'risk-balanced' portfolio that seeks meaningful diversification of assets, which necessarily means less equity risk and more long-term bond exposure relative to peers. To offset potentially lower returns from a more risk-balanced portfolio, a key component of this strategy includes a less common, yet prudent, program of return enhancement commonly referred to in the investment industry as portable alpha. These investment objectives seek to prioritize the long-term structural needs of our Retirement Plan over short-term performance comparisons of the investment portfolio relative to peers.

D. **Authorized Investments –** The Plan shall be invested in externally managed funds, consistent with the guidelines established in CRR 140.011, "*Policy for Investment Manager Selection, Monitoring and Retention*" and CRR 140.017, "*Allowable Investments*," in the following asset classes:

Asset Class	Asset Class Target	Allowable Range
Commodities	*5%*	*0%-15%*

Core Fixed Income	9%	3%-19%
Opportunistic	0%	0%-7%
Private Debt	8%	3%-12%
Private Equity	13%	9%-17%
Public Equity	34%	20%-45%
Real Estate / Infrastructure	11%	7%-15%
Risk Balanced	0%	0%-5%
Sovereign Bonds	20%	10%-30%
Cash and Cash Equivalents	0%	0%-20%
Total Portfolio	100%	

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E. **Portfolio Rebalancing**
Asset allocations shall be monitored on an ongoing basis as changes in market behavior may cause variations from the target asset mix. Rebalancing of the portfolio shall be considered at least quarterly, and more often if necessary to maintain allocations within the allowable ranges. The need to rebalance shall take into account any logistical issues associated with fully funding a particular asset sector, as well as any tactical decisions to overweight or underweight a particular asset sector based on current market conditions. The University may utilize external managers to rebalance portfolio exposures consistent with targets and allowable ranges established by this policy. In those instances, conventional derivative instruments commonly accepted by other institutional investors, such as futures, swaps, options, forward contracts and reverse repurchase agreements may be utilized.

Actual asset classes allocations shall not fall outside of the allowable ranges, with the exception of violations caused solely by periods of extreme market distress, when it may not be possible or advisable to immediately bring such allocations back to within the allowable ranges.

F. **Currency Risk Management**
In the context of a global investment portfolio, currency risk exists to the extent that investments contain exposures to foreign currencies. The desirability of this currency exposure is not necessarily aligned dollar for dollar with the desired exposure to assets denominated in foreign currencies. As such, external managers in any asset class may implement currency strategies to alter the currency exposure of the portfolio when deemed prudent to do so in the context of the particular

investment mandate. In addition, the University may utilize external managers to implement currency strategies to alter exposures in an active or passive manner as part of a portfolio or asset class overlay when deemed prudent to do so.

G. **Portable Alpha Program**

When any combination of market beta exposures (Public Equity, Sovereign Bonds, Commodities, etc.) are obtained through the use of derivative instruments, a portion of the cash underlying the notional exposures may be used to fund an Alpha Portfolio. At a total portfolio level, the objective of a Portable Alpha Program is to generate excess returns through alpha exposures which, in aggregate, are diversifying to the Retirement Plan overall.

Overall management of the Portable Alpha Program is subject to the provisions of CRR 140.017 "Policy for Allowable Investments."

a. Sizing of Alpha Portfolio – Allowable Range
   The allowable range of the portable alpha portfolio shall be 0-27% of the total Retirement Plan, which would represent total portfolio leverage of 100% to 127%. The current alpha portfolio target is 20%.
b. Minimum Cash Margin
   The Retirement Plan shall maintain a 10% margin of safety in addition to the level of Cash Margin determined necessary to cover drawdowns across an average of the three worst modeled economic and market stress scenarios as defined by the greatest depletion of Cash Margin.

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