

The Regents of the University of California

COMMITTEE ON INVESTMENTS

July 13, 2011

The Committee on Investments met on the above date at UCSF–Mission Bay Community Center, San Francisco.

Members present: Regents De La Peña, Hallett, Kieffer, Makarechian, Marcus, and Wachter; Ex officio members Gould and Lansing; Advisory member Anderson; Staff Advisors Herbert and Smith

In attendance: Regents Island, Lozano, Mireles, Pattiz, Pelliccioni, Reiss, Ruiz, Varner, and Zettel, Regents-designate Mendelson, Rubenstein, and Stein; Faculty Representative Simmons, Secretary and Chief of Staff Kelman, Associate Secretary Shaw, General Counsel Robinson, Chief Investment Officer Berggren, Chief Compliance and Audit Officer Vacca, Provost Pitts, Executive Vice President Brostrom, Chief Financial Officer Taylor, Senior Vice President Stobo, Vice Presidents Darling, Duckett, Lenz, and Sakaki, Chancellors Birgeneau, Block, Blumenthal, Desmond-Hellman, Drake, Fox, Katehi, Leland, White, and Yang, and Recording Secretary McCarthy

The meeting convened at 11:30 a.m. with Committee Chair Wachter presiding.

Committee Chair Wachter stated that three action items were presented and discussed at the June 22, 2011 meeting of the Committee on Investments and the Investment Advisory Group, but not voted on due to the lack of a quorum. He reported that the Committee recommends that the Regents take these actions.

1. **APPROVAL OF MINUTES OF PREVIOUS MEETING**

Upon motion duly made and seconded, the minutes of the meeting of February 22, 2011 were approved.

2. **ADOPTION OF POLICY ON DISCLOSURES REGARDING USE OF PLACEMENT AGENTS FOR THE UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM INVESTMENTS**

The Chief Investment Officer and the President recommended that the Policy on Disclosures Regarding Use of Placement Agents for the University of California Retirement System Investments, as shown in Attachment 1, be adopted.

[Background material was mailed to the Committee in advance of the meeting, and a copy is on file in the Office of the Secretary and Chief of Staff.]

For discussion see Item 3 below.

Upon motion duly made and seconded, the Committee approved the Chief Investment Officer's and the President's recommendation and voted to present it to the Board.

3. **ADOPTION OF EXPENDITURE RATE FOR TOTAL RETURN INVESTMENT POOL**

The Chief Investment Officer recommended and Mercer Investment Consulting concurred that the expenditure rate (payout rate) for the Total Return Investment Pool for the fiscal year 2010-11 be set at a maximum of six percent.

[Background material was mailed to the Committee in advance of the meeting, and a copy is on file in the Office of the Secretary and Chief of Staff.]

Regent Zettel complimented the Office of the Treasurer for using best practices by adopting the disclosure policy regarding use of placements agents even though it was not legally required to do so.

Regent Zettel asked if the Office of the Treasurer viewed the six percent payout rate for the Total Return Investment Pool (TRIP) as realistic in view of current economic conditions. Chief Investment Officer Berggren stated that the six percent payout rate is based on the long-term total return target. She noted that the TRIP portfolio is structured with a high percentage of non-equity investments and the fund's asset allocation was developed in light of a worst-case environment, meaning the worst five percent of economic scenarios that have occurred since the Great Depression. She stated that her office is confident that a six percent payout rate can be attained. She added that, even in a very bad year, the TRIP has been able to generate a two to three percent return.

Upon motion duly made and seconded, the Committee approved the Chief Investment Officer's recommendation and voted to present it to the Board.

The meeting adjourned at 11:35 a.m.

Attest:

Secretary and Chief of Staff

POLICY ON DISCLOSURES REGARDING USE OF PLACEMENT AGENTS FOR THE UNIVERSITY OF CALIFORNIA RETIREMENT SYSTEM INVESTMENTS

Each External Manager proposing an investment to be made by or on behalf of the University of California Retirement System must comply with one of the following two requirements:

(1) If the External Manager will not use any Placement Agents in connection with the proposed investment, the External Manager must provide the Treasurer with a written statement to that effect.

(2) If the External Manager will use a Placement Agent in connection with the proposed investment, the External Manager must disclose the following information in writing to the Treasurer:

- A description of the relationship between the External Manager and any Placement Agents for the investment for which funds are being raised.
- Whether the Placement Agent's mandate includes the Regents of University of California as trustee/custodian.
- A description of the services performed by the Placement Agent.
- A description of any and all payments of any kind provided or agreed to be provided to a Placement Agent by the External Manager with regard to investments by the Regents as a plan trustee or custodian of retirement or savings plan assets.
- Upon request, the resume for each officer, partner or principal of the Placement Agent detailing the person's education, professional designations, regulatory licenses, and investment and work experience.
- A statement as to whether the Placement Agent, or any of its affiliates, is registered with the Securities Exchange Commission.
- A statement as to whether the Placement Agent, or any of its affiliates, is registered as a lobbyist under California law.

The Treasurer will only enter into agreements to invest in or through External Managers that agree to comply with the Regents' Policy on Disclosures Regarding the Use of Placement Agents for University of California Retirement System Investments. The Treasurer will rely on the written statements made by the External Manager.

For purposes of this Policy:

“External Manager” means a (i) person who is seeking to be, or is, retained by the Regents to manage a portfolio of securities or other assets for compensation or (ii) a person managing an investment fund who offers or sells, or has offered or sold, an ownership interest in the investment fund.

“Placement Agent” means a person directly or indirectly hired, engaged or retained by, or serving for the benefit of or on behalf of, an External Manager or an investment fund managed by an External Manager, who acts, or has acted, for compensation as a finder, solicitor, marketer, consultant, broker or other intermediary in connection with the offer or sale to the Regents of either the investment management services of the External Manager or an ownership interest in an investment fund managed by the External Manager. Any exceptions to this definition of “Placement Agent” available under Sections 7513.8 or Section 82047.3 of the California Government Code will apply under this Policy.