AMENDMENT AND RESCISSION OF REGENTS POLICIES ON INVESTMENT MATTERS

The Subcommittee recommends that the Regents:

1. Amend Regents Policy 6101 – University of California Retirement Plan (UCRP) Investment Policy Statement, as shown in Attachment 1.

2. Adopt a Regents Policy on UCRP Asset and Risk Allocation, as shown in Attachment 2.


5. Amend Regents Policy 6108 – UC Total Return Investment Pool (TRIP) Investment Policy Statement, as shown in Attachment 5.

6. Adopt a Regents Policy on TRIP Asset and Risk Allocation, as shown in Attachment 6.


8. Adopt a Regents Policy on STIP Asset and Risk Allocation, as shown in Attachment 8.


10. Amend Regents Policy 6201 – Investment Policy for the University of California Campus Foundations, as shown in Attachment 10.

11. Amend Regents Policy 6104 – Policy on Conflict of Interest Regarding Assets Managed by the Chief Investment Officer, as shown in Attachment 11.


15. Rescind Regents Policy 6110 – Policy on Disclosures Regarding Use of Placement Agents for the University of California Retirement System Investments, as shown in Attachment 12.

16. Rescind Regents Policy 6301 – Policy to Exclude Securities of Companies Manufacturing Tobacco Products from Index Funds and to Continue Existing Exclusion from Actively Managed Funds, as shown in Attachment 12.

17. Rescind Regents Policy 6302 – Policy on Divestment of University Holdings in Companies with Business Operations in Sudan, as shown in Attachment 12.

Subcommittee vote: Regents Anguiano, Lemus, Makarechian, Sherman, and Zettel voting “aye.”

Board vote: Regents Elliott, Guber, Kieffer, Lansing, Napolitano, Pérez, Sherman, Tauscher, and Zettel voting “aye.”
POLICY SUMMARY/BACKGROUND

The purpose of this Investment Policy Statement ("Policy" or "IPS") is to define the objectives and policies established for the management of the investments of the University of California Retirement Plan ("UCRP"). The management of UCRP is subject to state and federal regulations and laws, and all other University investment policies, which may not be listed in this document. The investment policy statement consists of the following sections:

- Investment Objectives
- Monitoring and Reporting
- Conflicts of Interest
- Disclosures
- Policy Maintenance

This policy reflects the Governance Framework outlined in Bylaws 22 and 23 of the University and the Finance and Capital Strategies Committee Charter.

The Board defines the goals and objectives of UCRP and is responsible for establishing and approving changes to this IPS. The Finance and Capital Strategies Committee and Investments Subcommittee are responsible for establishing the Asset and Risk Allocation Policy (with approval by the Board on a consent agenda), which defines the strategic asset allocation, risk tolerance, asset types and benchmarks of the portfolio.

The Chief Investment Officer (or “Office of the Chief Investment Officer”) is responsible for implementing the approved investment policies and developing investment processes and procedures for asset allocation, risk management, investment manager selection and termination, monitoring and evaluation, and the identification of management strategies that will improve the investment efficiency of UCRP assets.

POLICY TEXT

INVESTMENT OBJECTIVES

1. Overall Objective

The objective of UCRP is to provide retirement benefits, as described in the Plan document, to its participants and their beneficiaries. The overall investment goal of UCRP is to maximize the probability of meeting the Plan’s liabilities subject to the Regents’ funding policy.
2. Return Objective

UCRP seeks to maximize its return on investment, consistent with levels of investment risk that are prudent and reasonable given long-term capital market expectations and the overall objectives of UCRP. The performance of UCRP will be measured relative to its objectives (e.g. actuarial rate, funded status, inflation) and policy benchmarks found in the Asset and Risk Allocation Policy.

Accordingly, the investment objectives and strategies emphasize a long-term outlook, and interim performance fluctuations will be viewed with the corresponding perspective. The Board acknowledges that over short time periods (i.e. one quarter, one year, and even three to five year time periods), returns will vary from performance objectives and the investment policy thus serves as a buffer against ill-considered action.

3. Risk Objective

While the Board recognizes the importance of the preservation of capital, it also recognizes that to achieve UCRP’s overall objectives requires prudent risk-taking, and that risk is the prerequisite for generating investment returns. Therefore investment risk cannot be eliminated but should be managed. Risk exposures should be identified, measured, monitored and tied to responsible parties; and risk should be taken consistent with UCRP’s objectives and the expectations for return from the risk exposures.

UCRP seeks a level of risk that is prudent and reasonable to maximize the probability of achieving its overall objective consistent with capital market conditions. The expected level of UCRP funded status volatility (i.e. surplus risk, or volatility of the change in UCRP assets relative to the change in UCRP liabilities) should be monitored and the Board seeks to minimize the probability of loss of funded status over a full market cycle.

4. Sustainability Objective

The Office of the Chief Investment Officer (OCIO) shall incorporate environmental sustainability, social responsibility, and governance (ESG) into the investment evaluation process as part of its overall risk assessment in its investments decision making. ESG factors are considered with the same weight as other material risk factors influencing investment decision making.

The OCIO uses a proprietary sustainability framework to provide core universal principles that inform the decisions and assist in the process of investment evaluation. The OCIO manages the UCRP consistent with these sustainability principles. The Framework can be found on the OCIO’s website in the sustainability section.
MONITORING AND REPORTING

The OCIO is responsible for monitoring the portfolio and investment managers on an ongoing basis. The OCIO should monitor and report to the Investments Subcommittee, Finance and Capital Strategies Committee, and Board of Regents on the following items.

1. Asset and Risk Allocation

2. Investment Performance and Attribution (against benchmarks identified in the UCRP Asset and Risk Allocation Policy)

3. Material Changes to Organization and Investment Strategy

4. Potential Material Issues and Risks

While short-term results will be monitored, it is understood that UCRP’s objectives are long-term in nature and progress towards these objectives will be evaluated from a long-term perspective.

DISCLOSURES

The Chief Investment Officer provides investment-related information on the UCRP to the Regents’ Investments Subcommittee in a manner consistent with the requirements outlined in this policy. Current and historical materials are publicly available on the Regents' website within the section on Meeting Agendas and Schedule. The Chief Investment Officer's Annual Report for the most recent fiscal year is also available on the Chief Investment Officer’s website. Other disclosures that will be posted on the Chief Investment Officer’s website are:

1. A report on private equity internal rates of return is publicly available on the Chief Investment Officer's website on a lagged quarterly basis.

2. The fees and expenses paid directly to the alternative investment vehicle, the fund manager, or related parties.
   a. The name, address, and vintage year of each alternative investment vehicle, the dollar amount of the total commitment, and the following information related to fees and expenses paid directly to the alternative investment vehicle, the fund manager or related parties (as defined in AB2833);
   b. Fees and expenses paid directly to the alternative investment vehicle, the fund manager or related parties;
   c. Pro rata share of fees and expenses not included above that are paid by the alternative investment vehicle to the fund manager or related parties;
d. UCRP’s pro rata share of carried interest distributed to the fund manager or related parties; and

e. UCRP’s pro rata share of aggregate fees and expenses paid by portfolio companies to the fund manager or related parties.

3. As soon as practicable after each fiscal year, a complete listing of all assets held by the UCRP at calendar year end will be posted on the Chief Investment Officer's website. Each listing will include the asset's market value at the end of the year. The assets will be grouped in the standard categories used by the custodian bank to group the assets in the asset reports provided to the Chief Investment Officer.

4. Each External Manager\(^1\) 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:

   a. If the External Manager will not use any Placement Agents\(^2\) in connection with the proposed investment, the External Manager must provide the Chief Investment Officer with a written statement to that effect.

   b. 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 Chief Investment Officer:

      i. A description of the relationship between the External Manager and any Placement Agents for the investment for which funds are being raised.

      ii. Whether the Placement Agent’s mandate includes the Regents of University of California as trustee/custodian.

      iii. A description of the services performed by the Placement Agent.

      iv. 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

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\(^1\) “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.

\(^2\) “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.
investments by the Regents as a plan trustee or custodian of retirement or savings plan assets.

v. 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.

vi. A statement as to whether the Placement Agent, or any of its affiliates, is registered with the Securities Exchange Commission.

vii. A statement as to whether the Placement Agent, or any of its affiliates, is registered as a lobbyist under California law.

c. The Chief Investment Officer will only enter into agreements to invest in or through External Managers that agree to comply with the provisions of this policy with regard to Placement Agents. The Chief Investment Officer will rely on the written statements made by the External Manager.

RESTRICTIONS

The Regents have restricted that purchase of securities issued by tobacco companies and companies with business operations in Sudan are prohibited in separately managed accounts. The Chief Investment Officer will determine what constitutes a tobacco or Sudan company based on standard industry classification of the major index providers and must communicate this list to investment managers annually and whenever changes occur.

COMPLIANCE/DELEGATION

The UCRP Investment Policy Statement should be reviewed at least annually and updated as necessary. Revisions may be recommended by the Office of the Chief Investment Officer, Investments Subcommittee, Finance and Capital Strategies Committee, and approved by the Board of Regents.

NO RIGHT OF ACTION

This policy is not intended to, and does not, create any right or benefit, substantive or procedural, enforceable at law or in equity by any party against the University of California or its Board of Regents, individual Regents, officers, employees, or agents.

PROCEDURES AND RELATED DOCUMENTS

UCRP Asset and Risk Allocation Policy (add links)

Investment Implementation Manual (add links)
Changes to procedures and related documents do not require Regents approval, and inclusion or amendment of references to these documents can be implemented administratively by the Office of the Secretary and Chief of Staff upon request by the unit responsible for the linked documents.
UNIVERSITY OF CALIFORNIA RETIREMENT PLAN
ASSET AND RISK ALLOCATION POLICY

POLICY SUMMARY/BACKGROUND

The purpose of this Asset and Risk Allocation Policy ("Policy") is to define the asset types, strategic asset allocation, risk management, benchmarks, and rebalancing for the University of California Retirement Plan ("UCRP"). The Investments Subcommittee has consent responsibilities over this policy.

POLICY TEXT

ASSET CLASS TYPES

Below is a list of asset class types in which the UCRP may invest so long as they do not conflict with the constraints and restrictions described in the UCRP Investment Policy Statement. The criteria used to determine which asset classes may be included are:

- Positive contribution to the investment objective of UCRP
- Widely recognized and accepted among institutional investors
- Low cross correlations with some or all of the other accepted asset classes

Based on the criteria above, the types of assets for building the portfolio allocation are:

1. **Public Equity**

   Includes publicly traded common and preferred stock of issuers domiciled in US, Non-US, and Emerging (and Frontier) Markets. The objective of the public equity portfolio is to generate investment returns with adequate liquidity through a globally diversified portfolio of common and preferred stocks.

2. **Fixed Income**

   Fixed Income includes a variety of income related asset types. The portfolio will invest in interest bearing and income based instruments such as corporate and government bonds, high yield debt, emerging markets debt, inflation linked securities, cash and cash equivalents. The portfolio can hold a mix of traditional (benchmark relative) strategies and unconstrained (benchmark agnostic) strategies. The objective of the income portfolio is to provide necessary liquidity for payment obligations and portfolio rebalancing needs, while investing in higher yielding and less liquid income opportunities with excess liquidity.
3. **Private Equity**

Private equity includes, but is not limited to, venture capital and buyout funds, direct investments, and co-investments in private companies. This includes investments in privately held companies and private investments in public entities which are illiquid. The objective of the portfolio is to earn higher returns than the public equity markets over the long term and take advantage of the illiquidity premium.

4. **Private Real Estate**

Private real estate includes, but is not limited to, core, value-add, opportunistic strategies that are characterized by development, repositioning and leverage. Investments are typically comprised of commercial properties in various operating segments (e.g. office, retail, hotel, industrial, student housing and multi-family). The objective of the real estate portfolio is to contribute to the diversification of the portfolio, generate returns through income and/or capital appreciation, and protect long-term purchasing power.

5. **Real Assets**

Real assets includes, but is not limited to, natural resources, timberland, energy, royalties, infrastructure, and commodities related equity and debt related investments. The objective of the real assets portfolio is to contribute to the diversification of the portfolio, generate returns through income and/or capital appreciation, and provide protection against unanticipated inflation.

6. **Absolute Return / Strategic Opportunities**

Absolute return investments are expected to generate long-term real returns by exploiting market inefficiencies. The portfolio invests in a collection of strategies that includes, but is not limited to, strategy types such as Relative Value, Event Driven, and Strategic Opportunities. The objective of the portfolio is to provide diversification and generate capital appreciation.

7. **Derivatives**

A derivative is a contract or security whose value is derived from another security or risk factor. There are three fundamental classes of derivatives – futures, options and swaps – each with many variations; in addition, some securities are combinations of derivatives or contain embedded derivatives. Use of derivatives to create economic leverage is prohibited, except for specific strategies only. Permitted applications for derivatives are: efficient substitutes for physical securities, managing risk by hedging existing exposures, to implement arbitrage or other approved active management strategies.

Each asset class is assigned a benchmark that represents the opportunity set and risk and return characteristics associated with the asset class. For some private or more complex asset classes
the benchmark serves as a proxy for the expected level and pattern of returns rather than an approximation of the actual investment holdings.

RISK MANAGEMENT

There are three principal factors that affect a pension fund’s financial status: 1) contributions, 2) benefit payments, and 3) investment performance. Only the last factor is dependent upon the investment policy and guidelines contained herein. However, the Subcommittee’s level of risk tolerance will take into account all three factors. At certain levels of funded status, it could be impossible for the investments to achieve the necessary performance to meet the promised liabilities. The result is that either benefits have to be reduced, contributions increased, or risk tolerance changed.

There are different types of risk important at each level of investment management for UCRP and tied to various responsible parties thus different risk metrics are appropriate at each level.

There are different types of risk tied to various responsible parties at each level of UCRP investment management. Thus, different risk metrics are appropriate at each level.

The principal risks that impact the UCRP, and the parties responsible for managing them are as follows:

- Capital market risk is the risk that the investment return associated with the Subcommittee’s asset allocation policy is not sufficient to provide the required returns to meet the UCRP’s investment objectives. Responsibility for determining the overall level of capital market risk lies with the Board and Subcommittee.

- Investment style risk is associated with an active management investment program. It is the performance differential between an asset category’s market target and the aggregate of the managers’ benchmarks within the asset category weighted according to a policy allocation specified by the Chief Investment Officer. This risk is an implementation risk and is the responsibility of the Chief Investment Officer.

- Manager value-added risk is also associated with an active management investment program. It is the performance differential between the aggregate of the managers’ actual (active) portfolios and the aggregate of the managers’ benchmarks. This risk is an implementation risk and is the responsibility of the Chief Investment Officer (and indirectly the investment managers retained by the Chief Investment Officer).

- Tactical/strategic risk is the performance differential between (1) policy allocations for UCRP’s asset categories and its investment managers and (2) the actual allocations. This risk is the responsibility of the Chief Investment Officer.

- Total active risk refers to the volatility of the difference between the return of the UCRP policy benchmark and the actual return. It incorporates the aggregate of the risks above, and is thus the responsibility of the Chief Investment Officer.
Surplus risk refers to the volatility of the change in the dollar value of UCRP assets versus the change in the dollar value of the liabilities. The latter represents the ultimate investment objective of the Plan. Because the asset allocation articulates the Regents’ risk tolerance, and because the Regents determine the Plan’s benefits and liabilities, this risk is the joint responsibility of the Board and the Subcommittee.

Although the management of investment portfolios may be outsourced, investment oversight and risk management are primary fiduciary duties of the Board that are delegated to and performed by the Chief Investment Officer. The Chief Investment Officer shall report on risk exposures and the values of the several risk measures to the Board.

**UCRP Product level (Board, Investments Subcommittee, and Office of the Chief Investment Officer)**

- Surplus Risk (insufficient assets to meet liabilities)
  - Measures the risk of inappropriate investment policy and strategy
- Total Investment Risk (volatility of total return)
  - Measures the risk of asset allocation policy

**Implementation level (Office of the Chief Investment Officer)**

- Active Risk or “Tracking Error” (volatility of deviation from style or benchmark)
  - Measures the risk of unintended exposures or ineffective implementation

**Risk Measures:** UCRP will use various risk analysis tools (e.g. factor analysis, simulation modeling) to measure the portfolio risks noted below. These metrics are intended to be used as one of many inputs in the asset and risk allocation process and are not intended to be used as benchmarks to measure actual results.

- **Funded Ratio:** Funded Ratio, defined as the ratio of plan assets to liabilities. Plan assets shall be measured at current market value as well as using actuarially smoothing. Liabilities shall be measured as the actuarial accrued liability (AAL). Liabilities, and hence this metric, are formally re-estimated only annually, but should be reviewed quarterly (change in liabilities estimated using liability duration and change in bond yields, as well as accruals for service cost and benefits paid).
  - The funded ratio projected over a ten year forecast period, using an actuarial model of assets and liabilities
  - The expected shortfall, defined as the expected loss experienced in worst case market scenarios
The Office of the Chief Investment Officer (OCIO) is responsible for managing both total and active risk and shall implement procedures and safeguards so that the combined risk exposures of all portfolios taken together are kept within risk bands. Further, within limits of prudent diversification and risk budgets, total and active risk exposures are fungible. That is, the OCIO may allocate risk exposures within and between asset types in order to optimize return.

**STRATEGIC ALLOCATION**

The purpose of the Strategic Asset Allocation is to reflect UCRP’s long-term purpose and objectives, as well as the investment beliefs and organizational capability of the OCIO. The actual portfolio exposures will deviate from the Strategic Asset Allocation as a result of price drifts, opportunity set, and value adding activities of the OCIO. This is underpinned by the recognition that investment opportunities come and go, values rise and fall and, that implementation must be dynamic in order to benefit from this fluctuation. This belief is critical to add value to UCRP. We follow a risk allocation process to ensure that the attractiveness of all opportunities is assessed on a consistent basis and that will meet the objectives set.

The investment strategy of UCRP will be based on a financial plan that will consider:

- The financial condition of the Plan, i.e., the relationship between the current and projected assets of the Plan and the projected benefit payments, and the current Funding Policy.

- Future growth of active and retired participants; expected service costs and benefit payments; and inflation and the rate of salary increases. (Together these are the principal factors determining liability growth.)

- The expected long-term capital market outlook, including expected volatility of and correlation among various asset classes.
Below are the strategic asset allocation long-term weights and allowable ranges:

**Table 1**

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Target Allocation</th>
<th>Allowable Ranges</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td></td>
<td>Minimum</td>
</tr>
<tr>
<td>Global Equity</td>
<td>50.0</td>
<td>40.0</td>
</tr>
<tr>
<td>US Fixed Income</td>
<td>13.0</td>
<td>10.0</td>
</tr>
<tr>
<td>High Yield Fixed Income</td>
<td>2.5</td>
<td>0.0</td>
</tr>
<tr>
<td>Emerging Mkt Fixed Income</td>
<td>2.5</td>
<td>0.0</td>
</tr>
<tr>
<td>TIPS</td>
<td>2.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Private Equity</td>
<td>10.0</td>
<td>5.0</td>
</tr>
<tr>
<td>Absolute Return</td>
<td>10.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Real Assets</td>
<td>3.0</td>
<td>0.0</td>
</tr>
<tr>
<td>Real Estate</td>
<td>7.0</td>
<td>2.0</td>
</tr>
<tr>
<td>Liquidity</td>
<td>0.0</td>
<td>0.0</td>
</tr>
<tr>
<td>TOTAL</td>
<td><strong>100%</strong></td>
<td></td>
</tr>
</tbody>
</table>

**Combined Public Equity** 50.0 40.0 60.0
**Combined Fixed Income** 20.0 10.0 30.0
**Combined Other Investments*** 30.0 20.0 40.0

* Other Investments category including, but not limited to: Real Estate, Private Equity, Real Assets, and Absolute Return

**BENCHMARKS**

The following criteria have been adopted for the selection of benchmark indices. It is understood that not all benchmarks will meet the entire list of criteria, but ideally, benchmarks that meet most of the criteria will be selected. There may be instances where tradeoffs are made between benchmarks that meet some of the criteria but not others.

1. **Unambiguous**: the names and weights of securities comprising the benchmark are clearly delineated.

2. **Investable**: is possible to replicate the benchmark performance by investing in the benchmark holdings.

3. **Measurable**: possible to readily calculate the benchmark’s return on a reasonably frequent basis.

4. **Appropriate**: the benchmark is consistent with investment preferences or biases.

5. **Specified in Advance**: the benchmark is constructed prior to the start of an evaluation period.
6. **Reflects Current Investment Opinion**: investment professionals in the asset class should have views on the assets in the benchmark and incorporate those views in their portfolio construction.

Benchmarks are a tool against which to measure the effectiveness of investment strategy either at a total fund level, at an investment class or strategy level, or at the mandate level. Based on the benchmark selection criteria, the following strategic policy benchmarks have been chosen:

**Table 2**

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Benchmark</th>
</tr>
</thead>
<tbody>
<tr>
<td>Global Equity</td>
<td>MSCI All Country World Index (ACWI) Investable Market Index (IMI) Tobacco Free - Net Dividends</td>
</tr>
<tr>
<td>Core Fixed Income</td>
<td>Barclays US Aggregate Index</td>
</tr>
<tr>
<td>High Yield Fixed Income</td>
<td>Merrill Lynch High Yield Cash Pay Index</td>
</tr>
<tr>
<td>Emerging Market Fixed Income</td>
<td>JP Morgan Emerging Markets Bond Index Global Diversified</td>
</tr>
<tr>
<td>Treasury Inflation</td>
<td>Barclays US TIPS Index</td>
</tr>
<tr>
<td>Protected Securities (TIPS)</td>
<td>Russell 3000 + 3%</td>
</tr>
<tr>
<td>Private Equity</td>
<td>HFRI Fund of Funds Composite</td>
</tr>
<tr>
<td>Absolute Return / Strategic Opportunities</td>
<td>Actual Real Assets Portfolio Return</td>
</tr>
<tr>
<td>Real Assets</td>
<td>NCREIF Funds Index – Open End Diversified Core Equity (ODCE), lagged 3 months</td>
</tr>
</tbody>
</table>

The **Total UCRP Portfolio Benchmark** is a weighted average consisting of each of the monthly returns of the benchmarks noted above weighted by the Policy Allocation percentages. The policy benchmarks may differ from the target allocations in Table 1 until implementation reaches the long-term strategic asset allocation.

**REBALANCING**

There will be periodic deviations in actual asset weights from the strategic target weights. Causes for periodic deviations are market movements, cash flows, tactical tilts, and asset selection. Significant movements from the asset class policy weights will alter the intended expected return and risk of UCRP. Accordingly, UCRP may be rebalanced when necessary to ensure adherence to this policy and the Investment Policy.

The OCIO will monitor the actual asset allocation. The Board directs the OCIO to take all actions necessary, within the requirement to act prudently, to manage the asset allocation in a manner that ensures that UCRP achieves its long-term risk and return objectives.

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1 As the OCIO transitions the benchmark into the portfolio, it will use 150 basis points illiquidity premium for the first year starting in July 2017.
The OCIO shall assess and manage the trade-off between the cost of rebalancing and the active risk associated with the deviation from policy asset weights. The Chief Investment Officer may delay a rebalancing program when the Chief Investment Officer believes the delay is in the best interest of UCRP.

COMPLIANCE/DELEGATION

The UCRP Asset and Risk Allocation Policy Statement should be reviewed at least annually and updated as necessary. The Investments Subcommittee may recommend action which will be placed on the Consent Agenda for approval by the Board.

NO RIGHT OF ACTION

This policy is not intended to, and does not, create any right or benefit, substantive or procedural, enforceable at law or in equity by any party against the University of California or its Board of Regents, individual Regents, officers, employees, or agents.

PROCEDURES AND RELATED DOCUMENTS

Investment Implementation Manual (add links)

Changes to procedures and related documents do not require Regents approval, and inclusion or amendment of references to these documents can be implemented administratively by the Office of the Secretary and Chief of Staff upon request by the unit responsible for the linked documents.
UNIVERSITY OF CALIFORNIA GENERAL ENDOWMENT POOL
INVESTMENT POLICY STATEMENT

POLICY SUMMARY/BACKGROUND

The purpose of this Investment Policy Statement (“Policy” or “IPS”) is to define the objectives and policies established for the management of the investments of the University of California General Endowment Pool (“GEP”). The management of the GEP is subject to state and federal regulations and laws, and all other University investment policies, which may not be listed in this document. The IPS is approved by the Board of Regents. The investment policy statement consists of the following sections:

- Investment Objectives
- Monitoring and Reporting
- Total Return Expenditure (Spending) Rate
- Endowment Administration Cost Recovery
- Conflicts of Interest
- Disclosures
- Restrictions
- Policy Maintenance

This policy reflects the Governance Framework outlined in Bylaws 22 and 23 of the University and the Finance and Capital Strategies Committee Charter.

The Board defines the goals and objectives of the GEP and is responsible for establishing and approving changes to this IPS. The Finance and Capital Strategies Committee and Investments Subcommittee are responsible for establishing the Asset and Risk Allocation Policy (with approval by the Board on a consent agenda), which defines the strategic asset allocation, risk tolerance, asset types and benchmarks of the portfolio.

The Chief Investment Officer (or “Office of the Chief Investment Officer”) is responsible for implementing the approved investment policies and developing investment processes and procedures for asset allocation, risk management, investment manager selection and termination, monitoring and evaluation, and the identification of management strategies that will improve the investment efficiency of the GEP assets.
POLICY TEXT

INVESTMENT OBJECTIVES

1. Overall Objective

The GEP provides a common investment vehicle, which will generate a stable and growing income stream, for (most but not all of) the University’s endowments and quasi-endowments, for which the University is both trustee and beneficiary. The overall investment goal of the GEP is to preserve the purchasing power of the future stream of endowment payout for those funds and activities supported by the endowments, and to the extent this is achieved, cause the principal to grow in value over time. GEP seeks to maintain liquidity needed to support spending in prolonged down markets to maximize the value of the endowment.

2. Return Objective

GEP seeks to maximize its return on investment, consistent with levels of investment risk that are prudent and reasonable given long-term capital market expectations and the overall objectives of the GEP. The performance of GEP will be measured relative to its objectives (e.g. spending, inflation, growth) and policy benchmarks found in the asset and risk allocation policy.

3. Risk Objective

While the Board recognizes the importance of the preservation of capital, it also recognizes that to achieve the GEP’s overall objectives requires prudent risk-taking, and that risk is the prerequisite for generating investment returns. Therefore, investment risk cannot be eliminated but should be managed. Risk exposures should be identified, measured, monitored and tied to responsible parties as identified in the Asset and Risk Allocation Policy; and risk should be taken consistent with the GEP’s objectives and the expectations for return from the risk exposures. GEP seeks a level of risk that is prudent and reasonable to maximize the probability of achieving its overall objective consistent with capital market conditions. GEP should limit the probability of loss of capital and/or a loss of purchasing power over a full market cycle (typically 4-8 years). Another important risk objective is limiting declines in purchasing power over the spending policy rolling period, currently 60 months (i.e. 5 years).

4. Sustainability Objective

The Office of the Chief Investment Officer shall incorporate environmental sustainability, social responsibility, and governance (ESG) into the investment evaluation process as part of its overall risk assessment in its investments decision making. ESG factors are considered with the same weight as other material risk factors influencing investment decision making.

The Office of the Chief Investment Officer uses a proprietary sustainability framework to provide core universal principles that inform the decisions and assist in the process of investment evaluation. The Office of the Chief Investment Officer manages the GEP consistent with these
sustainability principles. The Framework can be found on the Office of the Chief Investment Officer website in the sustainability section.

**MONITORING AND REPORTING**

The Office of the Chief Investment Officer (OCIO) is responsible for monitoring the portfolio and investment managers on an ongoing basis. The OCIO should monitor and report to the Investments Subcommittee, Finance and Capital Strategies Committee and Board of Regents on the following items.

1. Asset and Risk Allocation
2. Investment Performance and Attribution (against benchmarks identified in the GEP Asset and Risk Allocation Policy)
3. Material Changes to Organization and Investment Strategy
4. Potential Material Issues and Risks

While short-term results will be monitored, it is understood that GEP’s objectives are long-term in nature and progress towards these objectives will be evaluated from a long-term perspective.

**TOTAL RETURN EXPENDITURE (SPENDING) RATE**

The endowment spending rate provides University programs with a source of income that is perpetual, growing (at least as fast as inflation) and predictable. The spending rate should balance the needs of current and future generations (equalize real value of per unit distributions over time), and preserve the purchasing power (real value) of the endowment, net of annual spending distributions.

The objective of the spending rate is to allow the principal or core assets to grow on a total return basis (total return = change in market value + income generated from the securities held) while "smoothing" the payout from the endowment assets in order to mitigate disruptions to the budgets of the endowed activities throughout economic and market cycles. Total return expenditure rates permit the spending of realized portfolio gains. The Spending Rate is a percent of unit value (or average unit value) distributed to programs each year and uses a smoothing formula that mediates between volatile market returns and program needs for predictable income.

The total return expenditure (spending) policy for eligible assets in the General Endowment Pool is 4.75 percent of a 60-month moving average of the market value of a unit invested in the GEP.

**ENDOWMENT ADMINISTRATION COST RECOVERY**

Endowment cost recovery is taken from the endowment payout each year and is used to defray, in part, the cost of the campuses and at the system-wide offices of administering and carrying out the terms of the Regents’ endowments. The funds released by this mechanism are used by the
campuses and the Office of the President as support for incremental fundraising activities. The endowment administration cost recovery rate of 55 basis points (0.55 percent) is to recover reasonable and actual costs related to the administration of gift assets invested in the General Endowment Pool.

DISCLOSURES

The Chief Investment Officer provides investment-related information on the GEP to The Regents' Investments Subcommittee in a manner consistent with the requirements outlined in this policy. Current and historical materials are publicly available on The Regents' website within the section on Meeting Agendas and Schedule. The Chief Investment Officer’s Annual Report for the most recent fiscal year is also available on the Chief Investment Officer’s website. Other disclosures that will be posted on the Chief Investment Officer’s website are:

1. A report on private equity internal rates of return is publicly available on the Chief Investment Officer's website on a lagged quarterly basis.

2. As soon as practicable after each fiscal year, a complete listing of all assets held by the GEP at calendar year end will be posted on the Chief Investment Officer's website. Each listing will include the asset's market value at the end of the year. The assets will be grouped in the standard categories used by the custodian bank to group the assets in the asset reports provided to the Chief Investment Officer.

RESTRICTIONS

The Regents have restricted that purchase of securities issued by tobacco companies and companies with business operations in Sudan are prohibited in separately managed accounts. The Chief Investment Officer will determine what constitutes a tobacco or Sudan company based on standard industry classification of the major index providers and must communicate this list to investment managers annually and whenever changes occur.

COMPLIANCE/DELEGATION

The GEP Investment Policy Statement should be reviewed at least annually and updated as necessary. Revisions may be recommended by the Office of the Chief Investment Officer, Investments Subcommittee, Finance and Capital Strategies Committee, and approved by the Board of Regents.

NO RIGHT OF ACTION

This policy is not intended to, and does not, create any right or benefit, substantive or procedural, enforceable at law or in equity by any party against the University of California or its Board of Regents, individual Regents, officers, employees, or agents.
PROCEDURES AND RELATED DOCUMENTS

GEP Asset and Risk Allocation Policy (add links)

Investment Implementation Manual (add links)

Changes to procedures and related documents do not require Regents approval, and inclusion or amendment of references to these documents can be implemented administratively by the Office of the Secretary and Chief of Staff upon request by the unit responsible for the linked documents.
UNIVERSITY OF CALIFORNIA GENERAL ENDOWMENT POOL
ASSET AND RISK ALLOCATION POLICY

POLICY SUMMARY/BACKGROUND

The purpose of this Asset and Risk Allocation Policy (“Policy”) is to define the asset types, strategic asset allocation, risk management, benchmarks, and rebalancing for the University of California General Endowment Pool (“GEP”). The Investments Subcommittee has consent responsibilities over this policy.

POLICY TEXT

ASSET CLASS TYPES

Below is a list of asset class types in which the GEP may invest so long as they do not conflict with the constraints and restrictions described in the GEP Investment Policy Statement. The criteria used to determine which asset classes may be included are:

- Positive contribution to the investment objective of GEP
- Widely recognized and accepted among institutional investors
- Low cross correlations with some or all of the other accepted asset classes

Based on the criteria above, the types of assets for building the portfolio allocation are:

1. **Public Equity**
   
   Includes publicly traded common and preferred stock of issuers domiciled in US, Non-US, and Emerging (and Frontier) Markets. The objective of the public equity portfolio is to generate investment returns with adequate liquidity through a globally diversified portfolio of common and preferred stocks.

2. **Liquidity (Income)**
   
   Liquidity includes a variety of income related asset types. The portfolio will invest in interest bearing and income based instruments such as corporate and government bonds, high yield debt, emerging markets debt, inflation linked securities, cash and cash equivalents. The portfolio can hold a mix of traditional (benchmark relative) strategies and unconstrained (benchmark agnostic) strategies. The objective of the income portfolio is to provide necessary liquidity for payment obligations and portfolio rebalancing needs, while investing in higher yielding and less liquid income opportunities with excess liquidity.
3. **Private Equity**

Private equity includes, but is not limited to, venture capital and buyout funds, direct investments, and co-investments in private companies. This includes investments in privately held companies and private investments in public entities which are illiquid. The objective of the portfolio is to earn higher returns than the public equity markets over the long term and take advantage of the illiquidity premium.

4. **Real Assets**

Real assets include, but is not limited to, natural resources, real estate, timberland royalties, energy, infrastructure, and commodities related equity and debt related investments. The objective of the real assets portfolio is to contribute to the diversification of the portfolio, generate returns through income and/or capital appreciation, and provide protection against unanticipated inflation.

5. **Absolute Return / Strategic Opportunities**

Absolute return investments are expected to generate long-term real returns by exploiting market inefficiencies. The portfolio invests in a collection of strategies that includes, but is not limited to, strategy types such as Relative Value, Event Driven, and Strategic Opportunities. The objective of the portfolio is to provide diversification and generate capital appreciation.

6. **Derivatives**

A derivative is a contract or security whose value is derived from another security or risk factor. There are three fundamental classes of derivatives – futures, options and swaps – each with many variations; in addition, some securities are combinations of derivatives or contain embedded derivatives. Use of derivatives to create economic leverage is prohibited. Permitted applications for derivatives are: efficient substitutes for physical securities, managing risk by hedging existing exposures, to implement arbitrage or other approved active management strategies.

Each asset class is assigned a benchmark that represents the opportunity set and risk and return characteristics associated with the asset class. For some private or more complex asset classes the benchmark serves as a proxy for the expected level and pattern of returns rather than an approximation of the actual investment holdings.
RISK MANAGEMENT

There are four principal factors that affect an endowment fund’s financial status:

- Contributions
- Annual payout to endowment recipients
- Inflation
- Investment performance

The level of risk tolerance will take into account all four factors. At certain levels of assets and a given spending policy, it could be impossible for the investments to achieve the necessary performance to meet the desired spending. The result is that either spending policy has to be changed, contributions increased or risk tolerance changed.

There are different types of risk tied to various responsible parties at each level of GEP investment management. Thus, different risk metrics are appropriate at each level.

The principal risks that impact the GEP, and the parties responsible for managing them are as follows:

- Capital market risk is the risk that the investment return associated with the Subcommittee’s asset allocation policy is not sufficient to provide the required returns to meet the GEP’s investment objectives. Responsibility for determining the overall level of capital market risk lies with the Board and Subcommittee.

- Investment style risk is associated with an active management investment program. It is the performance differential between an asset category’s market target and the aggregate of the managers’ benchmarks within the asset category weighted according to a policy allocation specified by the Chief Investment Officer. This risk is an implementation risk and is the responsibility of the Chief Investment Officer.

- Manager value-added risk is also associated with an active management investment program. It is the performance differential between the aggregate of the managers’ actual (active) portfolios and the aggregate of the managers’ benchmarks. This risk is an implementation risk and is the responsibility of the Chief Investment Officer (and indirectly the investment managers retained by the Chief Investment Officer).

- Tactical/strategic risk is the performance differential between (1) policy allocations for the GEP’s asset categories and its investment managers and (2) the actual allocations. This risk is the responsibility of the Chief Investment Officer.

- Total active risk refers to the volatility of the difference between the return of the GEP policy benchmark and the actual return. It incorporates the aggregate of the risks above, and is thus the responsibility of the Chief Investment Officer.
Although the management of investment portfolios may be outsourced, investment oversight and risk management are primary fiduciary duties of the Board that are delegated to and performed by the Chief Investment Officer. The Chief Investment Officer shall report on risk exposures and the values of the several risk measures to the Board.

**GEP Product level (Board, Investments Subcommittee, and Office of the Chief Investment Officer)**

- Spending Risk (insufficient assets to meet planned spending)
  - Measures the risk of inappropriate investment policy and strategy
  - Loss of purchasing power and loss of capital
- Total Investment Risk (volatility of total return)
  - Measures the risk of asset allocation policy

**Implementation level (Office of the Chief Investment Officer)**

- Active Risk or “Tracking Error” (volatility of deviation from style or benchmark)
  - Measures the risk of unintended exposures or ineffective implementation

**Risk Measures:** GEP will use various risk analysis tools (e.g. factor analysis, simulation modeling) to measure the portfolio risks noted below. These metrics are intended to be used as one of many inputs in the asset and risk allocation process and are not intended to be used as benchmarks to measure actual results.

- **Loss of Purchasing Power:** Loss of purchasing power is defined by the portfolio value losing value, after adjusting for inflation. To measure this risk, GEP will estimate the expected probability that the Portfolio’s real return will be less than 0.0% (i.e. a loss) over the spending policy period.

- The Office of the Chief Investment Officer (OCIO) will evaluate the probability of “ruin,” where the plan’s spending, combined with market losses, incorporating the loss of capital (portfolio losing value after adjusting for inflation over a full market cycle) result in the plan being unable to recover its purchasing power over a full market cycle. The probability of ruin should be minimal, and the OCIO should report on any concerns about the feasibility of achieving its return objectives without a material probability of ruin.

The OCIO is responsible for managing both total and active risk, and shall implement procedures and safeguards so that the combined risk exposures of all portfolios taken together are kept within risk bands. Further, within limits of prudent diversification and risk budgets, total and
active risk exposures are fungible. That is, the OCIO may allocate risk exposures within and between asset types in order to optimize return.

**STRATEGIC ALLOCATION**

The purpose of the Strategic Asset Allocation is to reflect GEP’s long-term purpose and objectives, as well as the investment beliefs and organizational capability of the OCIO. The actual portfolio exposures will deviate from the Strategic Asset Allocation as a result of price drifts, opportunity set, and value adding activities of the OCIO. This is underpinned by the recognition that investment opportunities come and go, values rise and fall, and that implementation must be dynamic in order to benefit from this fluctuation. This belief is critical to add value to the GEP. The OCIO follows a risk allocation process to ensure that the attractiveness of all opportunities is assessed on a consistent basis and that will meet the objectives set.

The investment strategy of the GEP will incorporate the risk tolerance of the Board, Committee, and Subcommittee, the relationship between current and projected assets, evolution of the University’s financial needs, namely GEP Spending Policy, contributions, and growth expectations.

Below are the strategic asset allocation long-term weights and allowable ranges:

<table>
<thead>
<tr>
<th>Table 1</th>
<th>Strategic Asset Allocation</th>
<th>Allowable Ranges</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>Minimum</td>
<td>Maximum</td>
</tr>
<tr>
<td>Public Equity</td>
<td>30.0</td>
<td>20.0</td>
</tr>
<tr>
<td>Private Equity</td>
<td>22.5</td>
<td>10.0</td>
</tr>
<tr>
<td>Absolute Return (Strategic Opportunities)</td>
<td>25.0</td>
<td>15.0</td>
</tr>
<tr>
<td>Real Assets</td>
<td>12.5</td>
<td>3.0</td>
</tr>
<tr>
<td>Liquidity (Income)</td>
<td>10.0</td>
<td>0.0</td>
</tr>
<tr>
<td>TOTAL</td>
<td>100.0%</td>
<td></td>
</tr>
</tbody>
</table>

**BENCHMARKS**

The following criteria have been adopted for the selection of benchmark indices. It is understood that not all benchmarks will meet the entire list of criteria, but ideally, benchmarks that meet most of the criteria will be selected. There may be instances where tradeoffs are made between benchmarks that meet some of the criteria but not others.

1. **Unambiguous**: the names and weights of securities comprising the benchmark are clearly delineated.

2. **Investable**: is possible to replicate the benchmark performance by investing in the benchmark holdings.
3. **Measurable**: it is possible to readily calculate the benchmark’s return on a reasonably frequent basis.

4. **Appropriate**: the benchmark is consistent with investment preferences or biases.

5. **Specified in Advance**: the benchmark is constructed prior to the start of an evaluation period.

6. **Reflects Current Investment Opinion**: investment professionals in the asset class should have views on the assets in the benchmark and incorporate those views in their portfolio construction.

Benchmarks are a tool against which to measure the effectiveness of investment strategy either at a total fund level, at an investment class or strategy level, or at the mandate level. Based on the benchmark selection criteria, the following strategic policy benchmarks have been chosen:

**Table 2**

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Benchmark</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Global Equity</strong></td>
<td>MSCI All Country World Index (ACWI) Investable Market Index (IMI) Tobacco Free - Net Dividends</td>
</tr>
<tr>
<td><strong>Private Equity</strong></td>
<td>Russell 3000 + 3%(^1)</td>
</tr>
<tr>
<td><strong>Absolute Return (Strategic Opportunities)</strong></td>
<td>HFRI Fund of Funds Composite</td>
</tr>
<tr>
<td><strong>Real Assets (non Real Estate)</strong></td>
<td>Actual Real Assets Portfolio Return</td>
</tr>
<tr>
<td><strong>Real Assets (Real Estate)</strong></td>
<td>NCREIF Fund Index - Open End Diversified Core Equity (ODCE), lagged 3 months</td>
</tr>
<tr>
<td><strong>Income (Liquidity)</strong></td>
<td>Barclays US Aggregate Index</td>
</tr>
</tbody>
</table>

The **Total GEP Portfolio Benchmark** is a weighted average consisting of each of the monthly returns of the benchmarks noted above weighted by the Policy Allocation percentages. The policy benchmarks may differ from the target allocations in **Table 1** until implementation reaches the long-term strategic asset allocation.

**REBALANCING**

There will be periodic deviations in actual asset weights from the strategic target weights. Causes for periodic deviations are market movements, cash flows, tactical tilts, and asset selection. Significant movements from the asset class policy weights will alter the intended expected return and risk of the GEP. Accordingly, the GEP may be rebalanced when necessary to ensure adherence to this policy and the Investment Policy.

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\(^1\) As the Office of the CIO transitions the benchmark into the portfolio, 150 basis points illiquidity premium will be used for the first year starting in July 2017.
The OCIO will monitor the actual asset allocation. The Board directs the OCIO to take all actions necessary, within the requirement to act prudently, to manage the asset allocation in a manner that ensures that the GEP achieves its long-term risk and return objectives.

The OCIO shall assess and manage the trade-off between the cost of rebalancing and the active risk associated with the deviation from policy asset weights. The Chief Investment Officer may delay a rebalancing program when the Chief Investment Officer believes the delay is in the best interest of the GEP.

**COMPLIANCE/DELEGATION**

The GEP Asset and Risk Allocation Policy should be reviewed at least annually and updated as necessary. The Investments Subcommittee may recommend action which will be placed on the Consent Agenda for approval by the Board.

**NO RIGHT OF ACTION**

This policy is not intended to, and does not, create any right or benefit, substantive or procedural, enforceable at law or in equity by any party against the University of California or its Board of Regents, individual Regents, officers, employees, or agents.

**PROCEDURES AND RELATED DOCUMENTS**

Investment Implementation Manual (add links)

Changes to procedures and related documents do not require Regents approval, and inclusion or amendment of references to these documents can be implemented administratively by the Office of the Secretary and Chief of Staff upon request by the unit responsible for the linked documents.
UNIVERSITY OF CALIFORNIA TOTAL RETURN INVESTMENT POOL
INVESTMENT POLICY STATEMENT

POLICY SUMMARY/BACKGROUND

The purpose of this Investment Policy Statement (“Policy” or “IPS”) is to define the objectives and policies established for the management of the investments of the University of California Total Return Investment Pool (“TRIP”). The management of TRIP is subject to state and federal regulations and laws, and all other University investment policies, which may not be listed in this document. The investment policy statement consists of the following sections:

- Investment Objectives
- Monitoring and Reporting
- Conflicts of Interest
- Disclosures
- Policy Maintenance

This policy reflects the Governance Framework outlined in Bylaws 22 and 23 of the University and the Finance and Capital Strategies Committee Charter. The Board defines the goals and objectives of TRIP and is responsible for establishing and approving changes to this IPS. The FCS Committee and Investments Subcommittee are responsible for establishing the Asset and Risk Allocation Policy (with Board approval on a consent agenda), which defines the strategic asset allocation, risk tolerance, asset types and benchmarks of the portfolio.

The Chief Investment Officer (or “Office of the Chief Investment Officer”) is responsible for implementing the approved investment policies and developing investment processes and procedures for asset allocation, risk management, investment manager selection and termination, monitoring and evaluation, and the identification of management strategies that will improve the investment efficiency of TRIP assets.

POLICY TEXT

INVESTMENT OBJECTIVES

1. Overall Objective

TRIP is an investment pool established by the Regents and is available to UC Campuses and certain other related entities. TRIP allows UC organizations to maximize return on their intermediate-term working capital, subject to risk tolerance and liquidity management practices established with the Office of the President and Campuses, by taking advantage of the economies of scale of investing in a larger pool and investing across a broad range of asset classes.
2. **Return Objective**

The Objective of TRIP is to generate a rate of return, after all costs and fees, in excess of the policy benchmark, and consistent with liquidity, cash flow requirements, and risk budget as defined in the Asset and Risk Allocation policy.

3. **Risk Objective**

While the Board recognizes the importance of the preservation of capital, it also recognizes that to achieve TRIP’s overall objectives requires prudent risk-taking, and that risk is the prerequisite for generating investment returns. Therefore, investment risk cannot be eliminated but should be managed. Risk exposures should be identified, measured, monitored and tied to responsible parties; and risk should be taken consistent with TRIP’s objectives and the expectations for return from the risk exposures.

TRIP seeks a level of risk that is prudent and reasonable to maximize the probability of achieving its overall objective consistent with capital market conditions.

4. **Sustainability Objective**

The Office of the Chief Investment Officer shall incorporate environmental sustainability, social responsibility, and governance (ESG) into the investment evaluation process as part of its overall risk assessment in its investments decision making. ESG factors are considered with the same weight as other material risk factors influencing investment decision making.

The Office of the Chief Investment Officer uses a proprietary sustainability framework to provide core universal principles that inform the decisions and assist in the process of investment evaluation. The Office of the Chief Investment Officer manages TRIP consistent with these sustainability principles. The Framework can be found on the Office of the Chief Investment Officer website in the sustainability section.

**MONITORING AND REPORTING**

The Office of the Chief Investment Officer (OCIO) is responsible for monitoring the portfolio and investment managers on an ongoing basis. The OCIO should monitor and report to the Investments Subcommittee, Finance and Capital Strategies Committee and Board of Regents on the following items.

1. Asset and Risk Allocation

2. Investment Performance and Attribution (against benchmarks identified in the TRIP Asset and Risk Allocation Policy)

3. Material Changes to Organization and Investment Strategy

4. Potential Material Issues and Risks
While short-term results will be monitored, it is understood that TRIP’s objectives are long-term in nature and progress towards these objectives will be evaluated from a long-term perspective.

DISCLOSURES

The Chief Investment Officer provides investment-related information on TRIP to the Regents' Investments Subcommittee in a manner consistent with the requirements outlined in this policy. Current and historical materials are publicly available on The Regents’ website within the section on Meeting Agendas and Schedule. The Chief Investment Officer's Annual Report for the most recent fiscal year is also available on the Chief Investment Officer's website.

RESTRICTIONS

The Regents have restricted that purchase of securities issued by tobacco companies and companies with business operations in Sudan are prohibited in separately managed accounts. The Chief Investment Officer will determine what constitutes a tobacco or Sudan company based on standard industry classification of the major index providers and must communicate this list to investment managers annually and whenever changes occur.

COMPLIANCE/DELEGATION

The TRIP Investment Policy Statement should be reviewed at least annually and updated as necessary. Revisions may be recommended by the Office of the Chief Investment Officer, Investments Subcommittee, Finance & Capital Strategies Committee, and approved by the Board of Regents.

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PROCEDURES AND RELATED DOCUMENTS

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Investment Implementation Manual (add links)

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UNIVERSITY OF CALIFORNIA TOTAL RETURN INVESTMENT POOL
ASSET AND RISK ALLOCATION POLICY

POLICY SUMMARY/BACKGROUND

The purpose of this Asset and Risk Allocation Policy ("Policy") is to define the asset types, strategic asset allocation, risk management, benchmarks, and rebalancing for the University of California Total Return Investment Pool ("TRIP"). The Investments Subcommittee has consent responsibilities over this policy.

POLICY TEXT

ASSET CLASS TYPES

Below is a list of asset class types in which TRIP may invest so long as they do not conflict with the constraints and restrictions described in the TRIP Investment Policy Statement. The criteria used to determine which asset classes may be included are:

- Positive contribution to the investment objective of TRIP
- Widely recognized and accepted among institutional investors
- Low cross correlations with some or all of the other accepted asset classes

Based on the criteria above, the types of assets for building the portfolio allocation are:

1. **Growth**

   Includes publicly traded common and preferred stock of issuers domiciled in US, Non-US, and Emerging (and Frontier) Markets. The objective of the growth portfolio is to generate investment returns with adequate liquidity through a globally diversified portfolio of common and preferred stocks.

2. **Income**

   Income includes a variety of income related asset types. The portfolio will invest in interest bearing and income based instruments such as corporate and government bonds, high yield debt, emerging markets debt, inflation linked securities, cash and cash equivalents. The portfolio can hold a mix of traditional (benchmark relative) strategies and unconstrained (benchmark agnostic) strategies. The objective of the income portfolio is to provide necessary liquidity for payment obligations and portfolio rebalancing needs, while investing in higher yielding and less liquid income opportunities with excess liquidity.
3. **Absolute Return / Strategic Opportunities**

Absolute return investments are expected to generate high long-term real returns by exploiting market inefficiencies. The portfolio invests in a collection of strategies that includes, but is not limited to, strategy types such as Relative Value, Event Driven, and Strategic Opportunities. The objective of the portfolio is to provide diversification and generate capital appreciation.

4. **Derivatives**

A derivative is a contract or security whose value is derived from another security or risk factor. There are three fundamental classes of derivatives – futures, options and swaps – each with many variations; in addition, some securities are combinations of derivatives or contain embedded derivatives. Use of derivatives to create economic leverage is prohibited, except for specific strategies only. Permitted applications for derivatives are: efficient substitutes for physical securities, managing risk by hedging existing exposures, to implement arbitrage or other approved active management strategies.

Each asset class is assigned a benchmark that represents the opportunity set and risk and return characteristics associated with the asset class. For some private or more complex asset classes the benchmark serves as a proxy for the expected level and pattern of returns rather than an approximation of the actual investment holdings.

**RISK MANAGEMENT**

There are three principal factors that affect TRIP’s financial status: 1) annual payout, 2) inflation, and 3) investment performance. The level of risk tolerance will take into account all three factors. At certain levels of assets and a given payout policy, it could be impossible for the investments to achieve the necessary performance to meet the desired spending. The result is that either spending policy has to be changed or risk tolerance changed.

There are different types of risk tied to various responsible parties at each level of TRIP investment management. Thus, different risk metrics are appropriate at each level.

The **principal risks** that impact the TRIP, and the parties responsible for managing them are as follows:

- Capital market risk is the risk that the investment return associated with the Subcommittee’s asset allocation policy is not sufficient to provide the required returns to meet the TRIP’s investment objectives. Responsibility for determining the overall level of capital market risk lies with the Board and Investments Subcommittee.

- Investment style risk is associated with an active management investment program. It is the performance differential between an asset category’s market target and the aggregate of the managers’ benchmarks within the asset category weighted according to a policy
• allocation specified by the Chief Investment Officer. This risk is an implementation risk and is the responsibility of the Chief Investment Officer.

• Manager value-added risk is also associated with an active management investment program. It is the performance differential between the aggregate of the managers’ actual (active) portfolios and the aggregate of the managers’ benchmarks. This risk is an implementation risk and is the responsibility of the Chief Investment Officer (and indirectly the investment managers retained by the Chief Investment Officer).

• Tactical/strategic risk is the performance differential between (1) policy allocations for the TRIP’s asset categories and its investment managers and (2) the actual allocations. This risk is the responsibility of the Chief Investment Officer.

• Total active risk refers to the volatility of the difference between the return of the TRIP policy benchmark and the actual return. It incorporates the aggregate of the risks above, and is thus the responsibility of the Chief Investment Officer.

Although the management of investment portfolios may be outsourced, investment oversight and risk management are primary fiduciary duties of the Board that are delegated to and performed by the Chief Investment Officer. The Chief Investment Officer shall report on risk exposures and the values of the several risk measures to the Board.

**TRIP Product level (Board, Investments Subcommittee, and Office of the Chief Investment Officer)**

• Spending Risk (insufficient assets to meet planned spending)
  - Measures the risk of inappropriate investment policy and strategy
  - Loss of purchasing power and loss of capital

• Total Investment Risk (volatility of total return)
  - Measures the risk of asset allocation policy

**Implementation level (Office of the Chief Investment Officer)**

• Active Risk or “Tracking Error” (volatility of deviation from style or benchmark)
  - Measures the risk of unintended exposures or ineffective implementation

**Risk Measures:** TRIP shall be managed so that its annualized tracking error budget shall not exceed 200 basis points. This budget is consistent with the ranges around the combined asset classes and incorporates asset/sector allocation and security selection differences from the aggregate benchmark. Each Manager or asset class segment will have a unique active risk
budget, relative to its asset class benchmark, which is appropriate to its individual strategy, and specified in its guidelines,

The Office of the Chief Investment Officer (OCIO) is responsible for managing both total and active risk and shall implement procedures and safeguards so that the combined risk exposures of all portfolios taken together are kept within risk bands. Further, within limits of prudent diversification and risk budgets, total and active risk exposures are fungible. That is, the OCIO may allocate risk exposures within and between asset types in order to optimize return.

**STRATEGIC ALLOCATION**

The purpose of the Strategic Asset Allocation is to reflect TRIP’s purpose and objectives, as well as the investment beliefs and organizational capability of the OCIO. The actual portfolio exposures will deviate from the Strategic Asset Allocation as a result of price drifts, opportunity set, and value adding activities of the OCIO. This is underpinned by the recognition that investment opportunities come and go, values rise and fall and, that implementation must be dynamic in order to benefit from this fluctuation. This belief is critical to add value to TRIP. We follow a risk allocation process to ensure that the attractiveness of all opportunities is assessed on a consistent basis and that will meet the objectives set.

The investment strategy of TRIP will incorporate the risk tolerance of the Board, Committee, and Subcommittee, the relationship between current and projected assets, evolution of the University’s financial needs, namely TRIP Payout, contributions, and growth expectations.

Below are the strategic asset allocation long-term weights and allowable ranges:

**Table 1**

<table>
<thead>
<tr>
<th></th>
<th>Strategic Asset Allocation</th>
<th>Allowable Ranges</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth</td>
<td>35.0</td>
<td>30.0</td>
</tr>
<tr>
<td>Income</td>
<td>50.0</td>
<td>45.0</td>
</tr>
<tr>
<td>Absolute Return</td>
<td>15.0</td>
<td>5.0</td>
</tr>
<tr>
<td>TOTAL</td>
<td>100.0%</td>
<td>25.0</td>
</tr>
</tbody>
</table>

TRIP has the flexibility to invest up to ten percent of the portfolio in private investments. While the program will generally invest in liquid, marketable securities, there will at times be a trade-off of illiquidity for higher expected return.

**BENCHMARKS**

The following criteria have been adopted for the selection of benchmark indices. It is understood that not all benchmarks will meet the entire list of criteria, but ideally, benchmarks that meet most of the criteria will be selected. There may be instances where tradeoffs are made between benchmarks that meet some of the criteria but not others.
1. **Unambiguous**: the names and weights of securities comprising the benchmark are clearly delineated.

2. **Investable**: is possible to replicate the benchmark performance by investing in the benchmark holdings.

3. **Measurable**: it is possible to readily calculate the benchmark’s return on a reasonably frequent basis.

4. **Appropriate**: the benchmark is consistent with investment preferences or biases.

5. **Specified in Advance**: the benchmark is constructed prior to the start of an evaluation period.

6. **Reflects Current Investment Opinion**: investment professionals in the asset class should have views on the assets in the benchmark and incorporate those views in their portfolio construction.

Benchmarks are a tool against which to measure the effectiveness of investment strategy either at a total fund level, at an investment class or strategy level, or at the mandate level. Based on the benchmark selection criteria, the following strategic policy benchmarks have been chosen:

**Table 2**

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Benchmark</th>
</tr>
</thead>
<tbody>
<tr>
<td>Growth</td>
<td>MSCI All Country World Index (ACWI) Investable Market Index (IMI) Tobacco Free - Net Dividends</td>
</tr>
<tr>
<td>Income</td>
<td>Barclays US Aggregate Index</td>
</tr>
<tr>
<td>Absolute Return (Strategic Opportunities)</td>
<td>HFRX Absolute Return Index</td>
</tr>
</tbody>
</table>

The **Total TRIP Portfolio Benchmark** is a weighted average consisting of each of the monthly returns of the benchmarks noted above weighted by the Policy Allocation percentages.

**REBALANCING**

There will be periodic deviations in actual asset weights from the strategic target weights. Causes for periodic deviations are market movements, cash flows, tactical tilts, and asset selection. Significant movements from the asset class policy weights will alter the intended expected return and risk of TRIP. Accordingly, TRIP may be rebalanced when necessary to ensure adherence to this policy and the Investment Policy.
The OCIO will monitor the actual asset allocation. The Board directs the OCIO to take all actions necessary, within the requirement to act prudently, to manage the asset allocation in a manner that ensures that TRIP achieves its risk and return objectives.

The OCIO shall assess and manage the trade-off between the cost of rebalancing and the active risk associated with the deviation from policy asset weights. The Chief Investment Officer may delay a rebalancing program when the Chief Investment Officer believes the delay is in the best interest of TRIP.

COMPLIANCE/DELEGATION

The TRIP Asset and Risk Allocation Policy Statement should be reviewed at least annually and updated as necessary. The Investments Subcommittee may recommend action which will be placed on the Consent Agenda for approval by the Board.

NO RIGHT OF ACTION

This policy is not intended to, and does not, create any right or benefit, substantive or procedural, enforceable at law or in equity by any party against the University of California or its Board of Regents, individual Regents, officers, employees, or agents.

PROCEDURES AND RELATED DOCUMENTS

Investment Implementation Manual (add links)

Changes to procedures and related documents do not require Regents approval, and inclusion or amendment of references to these documents can be implemented administratively by the Office of the Secretary and Chief of Staff upon request by the unit responsible for the linked documents.
UNIVERSITY OF CALIFORNIA SHORT TERM INVESTMENT POOL
INVESTMENT POLICY STATEMENT

POLICY SUMMARY/BACKGROUND

The purpose of this Investment Policy Statement (“Policy” or “IPS”) is to define the objectives and policies established for the management of the investments of the University of California Short Term Investment Pool (“STIP”). The management of STIP is subject to state and federal regulations and laws, and all other University investment policies, which may not be listed in this document. The investment policy statement consists of the following sections:

- Investment Objectives
- Monitoring and Reporting
- Conflicts of Interest
- Disclosures
- Policy Maintenance

This policy reflects the Governance Framework outlined in Bylaws 22 and 23 of the University and the Finance and Capital Strategies Committee Charter. The Board defines the goals and objectives of STIP and is responsible for establishing and approving changes to this IPS. The Finance and Capital Strategies Committee and Investments Subcommittee are responsible for establishing the Asset and Risk Allocation Policy (with Board approval on a consent agenda), which defines the strategic asset allocation, risk tolerance, asset types, and benchmarks of the portfolio.

The Chief Investment Officer (or “Office of the Chief Investment Officer”) is responsible for implementing the approved investment policies and developing investment processes and procedures for asset allocation, risk management, investment manager selection and termination, monitoring and evaluation, and the identification of management strategies that will improve the investment efficiency of STIP assets.

POLICY TEXT

INVESTMENT OBJECTIVES

1. Overall Objective

STIP is a cash investment pool established by the Regents and is available to all University groups and affiliates. STIP allows fund participants to maximize income on their short-term cash balances by taking advantage of the economies of scale of investing in a larger pool and investing in a broader range of maturities.
2. **Return Objective**

The Objective of STIP is to maximize returns consistent with safety of principal, liquidity, and cash flow requirements.

3. **Risk Objective**

The Program shall be managed to preserve capital and avoid negative returns over any one-year time horizon. The volatility of the plan should be consistent with this objective and the yield level of the fund.

4. **Sustainability Objective**

The Office of the Chief Investment Officer (OCIO) shall incorporate environmental sustainability, social responsibility, and governance (ESG) into the investment evaluation process as part of its overall risk assessment in its investments decision making. ESG factors are considered with the same weight as other material risk factors influencing investment decision making.

The OCIO uses a proprietary sustainability framework to provide core universal principles that inform the decisions and assist in the process of investment evaluation. The OCIO manages STIP consistent with these sustainability principles. The Framework can be found on the OCIO’s website in the sustainability section.

**MONITORING AND REPORTING**

The OCIO is responsible for monitoring the portfolio and investment managers on an ongoing basis. The OCIO should monitor and report to the Investments Subcommittee, Finance and Capital Strategies Committee, and Board of Regents on the following items.

1. Asset and Risk Allocation

2. Investment Performance and Attribution (against benchmarks identified in the **STIP Asset and Risk Allocation Policy**)

3. Material Changes to Organization and Investment Strategy

4. Potential Material Issues and Risks

**DISCLOSURES**

The Chief Investment Officer provides investment-related information on STIP to the Regents’ Investments Subcommittee in a manner consistent with the requirements outlined in this policy. Current and historical materials are publicly available on the Regents’ website within the section on Meeting Agendas and Schedule. The Chief Investment Officer's Annual Report for the most recent fiscal year is also available on the Chief Investment Officer's website.
RESTRICTIONS

The Regents have restricted that purchase of securities issued by tobacco companies and companies with business operations in Sudan are prohibited in separately managed accounts. The Chief Investment Officer will determine what constitutes a tobacco or Sudan company based on standard industry classification of the major index providers and must communicate this list to investment managers annually and whenever changes occur.

COMPLIANCE/DELEGATION

The STIP Investment Policy Statement should be reviewed at least annually and updated as necessary. Revisions may be recommended by the OCIO, Investments Subcommittee, Finance and Capital Strategies Committee, and approved by the Board of Regents.

NO RIGHT OF ACTION

This policy is not intended to, and does not, create any right or benefit, substantive or procedural, enforceable at law or in equity by any party against the University of California or its Board of Regents, individual Regents, officers, employees, or agents.

PROCEDURES AND RELATED DOCUMENTS

STIP Asset and Risk Allocation Policy (add links)

Investment Implementation Manual (add links)

Changes to procedures and related documents do not require Regents approval, and inclusion or amendment of references to these documents can be implemented administratively by the Office of the Secretary and Chief of Staff upon request by the unit responsible for the linked documents.
UNIVERSITY OF CALIFORNIA SHORT TERM INVESTMENT POOL
ASSET AND RISK ALLOCATION POLICY

POLICY SUMMARY/BACKGROUND

The purpose of this Asset and Risk Allocation Policy (“Policy”) is to define the asset allocation, risk guidelines, and benchmark for the University of California Short Term Investment Pool (“STIP”). The Investments Subcommittee has consent responsibilities over this policy.

POLICY TEXT

ASSET CLASS TYPES

STIP will primarily invest in short duration US dollar-denominated bonds and cash equivalents.

The following list is indicative of the investment classes, which are appropriate for STIP, given its Benchmark and risk budget. This is not an exhaustive list of “allowable” asset types.

Security types and/or strategies not specifically enumerated, but which the Chief Investment Officer believes are appropriate and consistent with the Investment Policy may also be held, subject to policy restrictions.

The Program may purchase securities on a when-issued basis or for forward delivery.

1. Fixed income instruments
   a. Obligations issued or guaranteed by the U.S. Federal Government, U.S. Federal Agencies or U.S. government-sponsored corporations and agencies
   b. Obligations of U.S. and foreign corporations such as corporate bonds, notes and debentures, and bank loans
   c. Mortgage-backed and asset-backed securities
   d. Obligations of international agencies, supranational entities, and foreign governments (or their subdivisions or agencies)
   e. Obligations issued or guaranteed by U.S. local, city and State governments and agencies
   f. Private Placements or Rule 144A securities, issued with or without registration rights
2. Short term fixed income instruments (having maturity of less than 13 months)
   a. US Treasury and Agency bills and notes
   b. Certificates of deposit
   c. Bankers acceptances
   d. Commercial paper
   e. Repurchase and reverse repurchase agreements (must be fully collateralized with approved collateral, using approved counterparties only)
   f. Eurodollar CD’s, TD’s, and commercial paper
   g. US and Eurodollar floating rate notes
   h. Money market funds managed by the custodian

**Restrictions**

The following security types are **not** permitted:

a. Interest rate derivative contracts, including options and futures

b. Equity like securities, including but not limited to convertible bonds, preferred stocks, warrants, equity linked notes, and commodities

c. Securities issued in currencies other than US Dollar

d. Foreign currency linked notes

e. Buy securities on margin

f. Sell securities short

g. Buy party-in-interest securities

h. Buy securities restricted as to sale or transfer, except for 144A securities, which are permitted

i. Buy or write structured (“levered”) notes

j. Employ economic leverage in the portfolio through borrowing or derivatives, or engage in derivative strategies that conflict with the Derivatives Policy
k. Purchase or sell foreign exchange contracts

l. Below investment grade securities, but we maintain the ability to hold up to 5% below investment grade in the event of ratings downgrades

**STRATEGIC ALLOCATION**

The portfolio will be invested primarily in marketable, publicly traded, investment grade short term fixed income instruments, notes and debentures denominated in U.S. dollars.

STIP will be invested in a diversified portfolio of fixed income securities, subject to policy restrictions.

**RISK MANAGEMENT**

STIP’s investments will be appropriately diversified to control overall risk. The following limitations apply in order to manage risk within acceptable ranges:

1. Interest rate risk
   a. No security may have a maturity of more than 5 ½ years, excluding internal notes receivable
   b. The effective duration of the investment program, excluding internal note receivables, should be less than 3 years

2. Credit risk
   a. Commercial Paper must have a rating of at least A-1, P-1, D-1, or F-1
   b. The Program’s investments should exhibit an average credit quality of A (or equivalent) or better. Split-rated credits are considered to have the higher credit rating as long as the higher rating is given by one of the NRSRO’s
   c. No more than 5% of the Program’s allocation to commercial paper may be invested in any single issuer. This guideline may be exceeded on a temporary basis due to unusual cash flows, up to a limit of 10%, for a period not to exceed one month.
   d. Except for securities issued by the US Treasury or Agencies of the US Government, no more than 3% of the Program’s market value (exclusive of commercial paper) may be invested in any single issuer.
3. Liquidity risk

   a. No more than 10% of the Program’s market value may be invested in Private Placements or Rule 144A securities

   b. The Programs’ investments in aggregate of any security may not exceed 20% of that security’s outstanding par value at time of purchase, without a written exception approved by the Chief Investment Officer.

BENCHMARKS

The following criteria have been adopted for the selection of benchmark indices. It is understood that not all benchmarks will meet the entire list of criteria, but ideally, benchmarks that meet most of the criteria will be selected. There may be instances where tradeoffs are made between benchmarks that meet some of the criteria but not others.

1. **Unambiguous**: the names and weights of securities comprising the benchmark are clearly delineated.

2. **Investable**: is possible to replicate the benchmark performance by investing in the benchmark holdings.

3. **Measurable**: it is possible to readily calculate the benchmark’s return on a reasonably frequent basis.

4. **Appropriate**: the benchmark is consistent with investment preferences or biases.

5. **Specified in Advance**: the benchmark is constructed prior to the start of an evaluation period.

6. **Reflects Current Investment Opinion**: investment professionals in the asset class should have views on the assets in the benchmark and incorporate those views in their portfolio construction.

Benchmarks are a tool against which to measure the effectiveness of investment strategy either at a total fund level, at an investment class or strategy level, or at the mandate level. Based on the benchmark selection criteria, the STIP Benchmark will be a weighted average of the income return on a constant maturity two (2) year US Treasury note and the return on US 30 day Treasury Bills. The weights for the two constituents will be the actual average weights of the bond and cash equivalent components of the pool. The Benchmark will be rebalanced monthly.

COMPLIANCE/DELEGATION

The STIP Asset and Risk Allocation Policy Statement should be reviewed at least annually and updated as necessary. The Investments Subcommittee may recommend action which will be placed on the Consent Agenda for approval by the Board.
NO RIGHT OF ACTION

This policy is not intended to, and does not, create any right or benefit, substantive or procedural, enforceable at law or in equity by any party against the University of California or its Board of Regents, individual Regents, officers, employees, or agents.

PROCEDURES AND RELATED DOCUMENTS

Investment Implementation Manual (add links)

Changes to procedures and related documents do not require Regents approval, and inclusion or amendment of references to these documents can be implemented administratively by the Office of the Secretary and Chief of Staff upon request by the unit responsible for the linked documents.
Regents Policy 6111: Investment Policy Statement for UC Retirement Savings Program
Proposed Amended Version

UNIVERSITY OF CALIFORNIA RETIREMENT SAVINGS PROGRAM
DEFINED CONTRIBUTION PLAN,
TAX DEFERRED 403(B) PLAN, AND 457(B) DEFERRED COMPENSATION PLAN
INVESTMENT POLICY STATEMENT

POLICY SUMMARY/BACKGROUND

The purpose of this Investment Policy Statement (“Policy” or “IPS”) is to define the objectives and policies established for the management of the investments of the University of California Retirement Savings Program (“RSP”). The management of RSP is subject to state and federal regulations and laws, and all other University investment policies, which may not be listed in this document.

This policy reflects the Governance Framework outlined in Bylaws 22 and 23 of the University and the Finance and Capital Strategies Committee Charter.

The Chief Investment Officer (or “Office of the Chief Investment Officer”) is responsible for implementing the approved investment policies and developing investment processes and procedures for asset allocation, risk management, investment manager selection and termination, monitoring and evaluation, and the identification of management strategies that will improve the investment efficiency of RSP assets.

POLICY TEXT

The Board has designated the Office of the Chief Investment Officer (OCIO) as the primary fiduciary for investment functions of RSP, including the selection of asset classes and Fund Options and the monitoring of investment performance.

All transactions undertaken on behalf of the Fund Options are undertaken solely in the interests of the Program’s participants and their beneficiaries.

The Regents have delegated responsibilities to the OCIO as follows:

a. Develop and implement criteria for selecting appropriate asset classes and specific Fund Options within those classes for the Program, after consultation with the Retirement Savings Program Advisory Committee (“RSPAC”) and the appropriate constituent groups in the University community.

b. Create and implement a process to monitor and evaluate the Program’s investment structure and the Fund Options and, based on such periodic evaluations and consultation with appropriate parties, make changes to either the asset classes or Fund Options.

c. Select investment professionals (“managers”) with demonstrated experience and expertise who are responsible for managing specific portfolios.
d. Select fund options as needed to provide the required diversification within an asset class, taking into account value and fees.

e. Establish and implement procedures for the selection, monitoring, evaluation, and termination of investment managers.

The Regents have delegated responsibilities to the RSPAC as follows:

RSPAC was established by the Regents to obtain feedback from the University community on RSP and to discuss coordination of issues that arise between the administrative and investment functions. RSPAC is comprised of the Chief Investment Officer (CIO), the Plan Administrator (UC Human Resources), and other members who serve at the request of the Executive Vice President – Chief Operating Officer (COO). RSPAC includes representatives from the Office of the CIO, Office of the COO, and the Office of the General Counsel. External consultants are invited to provide advice and counsel on an as-needed basis. Members serve on RSPAC without compensation. An appointed committee member can resign at any time.

RSPAC responsibilities include:

- Assessing the quality of services provided by vendors against established criteria and/or benchmarks;
- Reviewing Program fees and expenses;
- Providing input on the annual report to the Regents;
- Retaining consultants necessary to assist in reviewing administrative and investment performance.

The RSP Investment Policy Statement will be updated as necessary. Revisions may be recommended by the Office of the Chief Investment Officer, Investments Subcommittee, Finance & Capital Strategies Committee or RSPAC, and approved by Board of Regents.

**NO RIGHT OF ACTION**

This policy is not intended to, and does not, create any right or benefit, substantive or procedural, enforceable at law or in equity by any party against the University of California or its Board of Regents, individual Regents, officers, employees, or agents.

**PROCEDURES AND RELATED DOCUMENTS**

Investment Managers and Fund Options (add links)

Investment Implementation Manual (add links)

Changes to procedures and related documents do not require Regents approval, and inclusion or amendment of references to these documents can be implemented administratively by the Office of the Secretary and Chief of Staff upon request by the unit responsible for the linked documents.
Regents Policy 6201: Investment Reporting for the University of California Campus Foundations

Approved: [Date, Link to Minutes (Including Final Action), Link to Background Materials (Item)];

Revised: [Date, Link to Minutes (Including Final Action), Link to Background Materials (Item)]

POLICY SUMMARY/BACKGROUND

The Regents authorize the Committee on Investments Subcommittee to review the investment policies and practices of campus foundations and conduct an annual review of statements of investment policy and reports of investment performance in a format approved by the Committee on Investments, together with the annual financial reports of campus foundations as audited by certified public accountants. The Office of the Chief Investment Officer of the Regents is available to provide investment management services, without charge, for any campus foundation which requires such service.

POLICY TEXT

Delegation to Campus Foundations and Statement of Policy

The Administrative Guidelines for Campus Foundations provide that each Campus Foundation Board of Directors has the duty to develop an appropriate investment policy for such Foundation. It is the policy of the Regents that each Campus Foundation shall develop and follow an appropriate investment policy, and shall act as a prudent investor in accordance with applicable law, using a portfolio approach in making investments and considering the risk and return objectives of the endowment funds. A Campus Foundation may hold and invest endowments and funds functioning as endowments on a long-term basis. All such investments must be consistent with the terms of the gift instrument. Investment operations shall be conducted in accordance with prudent, sound practices to ensure that gift assets are protected and enhanced and that a reasonable return is achieved, and with due regard for the fiduciary responsibilities of the Foundation's governing Board and the Regents. Financial activities of a Campus Foundation shall be administered and reported in accordance with prudent business practices and generally accepted accounting principles.

Reporting from Campus Foundations

The Regents' generalist investment consultant shall review investment procedures and results annually and report the findings to the Regents. The Administrative Guidelines for Campus Foundations require the following reports from the Campus Foundations to the generalist investment consultant:
A Campus Foundation's enabling documents (e.g., articles of incorporation, bylaws, constitution) shall be provided, and any amendments shall be forwarded promptly following any revision.

Within 90 days of the close of each fiscal year, a Campus Foundation shall submit a detailed report comparing budgeted to actual administrative expenditures by fund source.

Copies of the Foundation's report to the State Registry of Charitable Trusts, tax returns, and a current list of Foundation officers, directors or trustees, and legal counsel shall be provided promptly each year.

The external auditor shall furnish a copy of the audit report, including the letter to management with management's response, promptly following the completion of the audit each year.

A copy of each Foundation's investment policy shall be provided, and any amendments thereto shall be forwarded promptly following any revision.

A copy of each investment performance report shall be provided 45 days following the close of each quarter.

Annual Performance Review and Reporting by Investment Consultant

The Regents' generalist investment consultant of the Office of the Chief Investment Officer shall review, annually, as well as upon initial adoption of, and upon any change to, initially and at the time of any change, each Foundation's investment policy, asset allocation policy, and performance on an annual basis, including:

- Asset allocation relative to its policy, and
- Performance by asset class and relative to its benchmarks, and provide a report to the Committee on Investments Subcommittee annually on their findings.

In addition, on an annual basis, beginning with the Fiscal Year 2006-2007, the Regents' investment consultant of the Office of the Chief Investment Officer will review the written investment policies and governance structure of each Foundation to ensure that each set of written policies includes, at a minimum:

- Asset allocation target percentages;
- Ranges for each asset class;
- Policy benchmarks for each asset class and in total, and
- Investment guidelines for each asset class.

The Regents' generalist investment consultant of the Office of the Chief Investment Officer will raise any issues of concern with the campus foundations, Office of the Chief Investment Officer, and subsequently, if necessary, with the Committee on Investments Subcommittee.

If any Foundation approves changes to its investment policy (including but not limited to asset allocation targets and policy benchmarks), it must communicate such change to the Regents-
generalist investment consultant prospectively before the effective date of such change. Office of the Chief Investment Officer.

NO RIGHT OF ACTION

This policy is not intended to, and does not, create any right or benefit, substantive or procedural, enforceable at law or in equity by any party against the University of California or its Board of Regents, individual Regents, officers, employees, or agents.
Additions shown by underline; deletions shown by strikethrough.

Policy # will be assigned by the SCOS office

Regents Policy 6104: Policy on Conflict of Interest Regarding Assets

Managed by the Chief Investment Officer

Approved: [Date, Link to Minutes (Including Final Action), Link to Background Materials (Item)];

Revised: [Date, Link to Minutes (Including Final Action), Link to Background Materials (Item)]

POLICY SUMMARY/BACKGROUND

In order to maintain the highest fiduciary standards and to align with institutional investment best practices, the roles and responsibilities of various UC fiduciaries are explicitly separated to ensure the continuance of sound investment practices and the protection against real or perceived conflict of interest, especially with regard to the selection of individual investments or investment managers. By separating the duties of investment policy-making and investment implementation, The Regents’ created an institutional framework to uphold the California Political Reform Act of 1974, which provides that public officials shall not make, participate in making, or influence a governmental decision in which the official has a financial interest.

POLICY TEXT

Individual Regents, advisory members, and expert advisors of Regents Committees or Subcommittees are prohibited from contacting the Chief Investment Officer, including any officer of the OCIO of the Regents, to offer advice or recommendations with respect to the selection of specific investments, investment managers, or investment management firms in which the official has a financial interest.

COMPLIANCE/DELEGATION

The General Counsel is responsible for determining, pursuant to the following procedures, that the Chief Investment Officer’s responsibilities for selecting investment managers have been exercised free of any such prohibited efforts to influence the Chief Investment Officer.

The Chief Investment Officer will advise the General Counsel if any employee of that office is contacted by a Regent, advisory member, or expert advisor in connection with the choice of investments, investment managers, or investment management firms. The Office of the General Counsel will then determine whether the communication was prohibited pursuant to this policy. In the event such a prohibited effort to influence the Chief Investment Officer's selection of investments, investment managers, or investment management firms is identified, the General Counsel shall immediately bring the matter to the attention of the Chair of the Investments Subcommittee.
NO RIGHT OF ACTION

This policy is not intended to, and does not, create any right or benefit, substantive or procedural, enforceable at law or in equity by any party against the University of California or its Board of Regents, individual Regents, officers, employees, or agents.
Regents Policies on Investment Matters Recommended for Amendment and Rescission

The following Regents Policies will be significantly amended as shown in the Attachments. The current policies are available at the links, below.

6101: Investment Policy Statement for University of California Retirement Plan (UCRP) (See Attachment 3 for amended Policy)

6102: Investment Policy Statement for General Endowment Pool (See Attachment 1 for amended Policy)

6108: Total Return Investment Pool (TRIP) Policy Statement (See Attachment 5 for amended Policy)

6109: Short Term Investment Pool (STIP) Investment Guidelines (See Attachment 7 for amended Policy)

6111: Investment Policy Statement for UC Retirement Savings Program (See Attachment 9 for amended Policy)

The Regents Policies, below, will be rescinded and incorporated into the appropriate Investment Policy Statements.

6105: Policy on Disclosure of UCRP and GEP Investments-Related Information

6106: Policy on Total Return Expenditure on Regents' General Endowment Pool Assets

6107: Policy on Endowment Administration Cost Recovery on Regents' Assets

6110: Policy on Disclosures Regarding Use of Placement Agents for the University of California Retirement System Investments

6301: Policy to Exclude Securities of Companies Manufacturing Tobacco Products from Index Funds and to Continue Existing Exclusion from Actively Managed Funds

6302: Policy on Divestment of University Holdings in Companies with Business Operations in Sudan

Approved May 26, 2005
Amended March 29, 2012

This document sets forth the policy of The Regents on disclosure of information relating to the investments of the University of California Retirement Plan (the UCRP) and the General Endowment Pool (the GEP). The purpose of this policy statement is to make clear how and what investment-related information will be routinely disclosed to participants in the UCRP and the general public.

1. The Chief Investment Officer provides investment-related information on the UCRP and the GEP to The Regents’ Committee on Investments and the Investment Advisory Committee in a manner consistent with the requirements outlined in the Investment Policy Statement for the University of California Retirement Plan approved by The Regents on November 18, 2004 and the Investment Policy Statement for the General Endowment Pool approved by The Regents on March 17, 2005. Current and historical materials are publicly available on The Regents’ website within the section on Meeting Agendas and Schedule.

2. A report on private equity internal rates of return is publicly available on the Chief Investment Officer's website on a quarterly basis.

3. The Chief Investment Officer’s Annual Report for the most recent fiscal year is also available on the Chief Investment Officer's website. The report provides asset allocation and performance of the UCRP, the GEP, and other UC investment funds.

4. As soon as practicable after each calendar year, a complete listing of all assets held by the UCRP and the GEP at calendar year end will be posted on the Chief Investment Officer's website. Each listing will include the asset's market value at the end of the year. The assets will be grouped in the standard categories used by the custodian bank to group the assets in the asset reports provided to the Chief Investment Officer.
Regents Policy 6106: Total Return Expenditure Policy on Regents' General Endowment Pool Assets

Approved March 20, 1998

The Regents adopt in principle a total return expenditure (spending) policy for eligible endowment gift assets in the General Endowment Pool.

Approved March 20, 1998

The Regents adopt a policy to recover reasonable and actual costs related to the administration of gift assets invested in the General Endowment Pool.
Regents Policy 6110: Policy on Disclosures Regarding Use of Placement Agents for University of California Retirement System Investments

Approved July 14, 2011
Amended March 29, 2012

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 Chief Investment Officer 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 Chief Investment Officer:
   - 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 Chief Investment Officer 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 Chief Investment Officer 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.
Regent Policy 6301: Policy to Exclude Securities of Companies Manufacturing Tobacco Products from Index Funds and to Continue Existing Exclusion from Actively Managed Funds

Adopted January 18, 2001

Amended March 29, 2012

1. The Chief Investment Officer, using the standards established for the Russell 3000 Tobacco Free Index and the MSCI EAFE Tobacco Free Index, shall continue the current practice of not directly investing in tobacco products companies.

2. The Russell 3000 Tobacco Free Index and the MSCI EAFE Tobacco Free Index, which exclude the stocks of tobacco products companies, be adopted as the index funds authorized by the Asset Allocation Plan.

3. Should the Chief Investment Officer determine at any time that The Regents' investment objectives are compromised by this policy, a report describing the circumstances shall be prepared by the Chief Investment Officer with appropriate recommendations.
Regents Policy 6302: Policy on Divestment of University Holdings in Companies with Business Operations in Sudan
Approved March 16, 2006

A. Divest all shares of the following nine companies: Bharat Heavy Electricals Ltd., China Petroleum and Chemical Corp. (Sinopec), Oil & Natural Gas Co. Ltd., PECB Ltd., PetroChina Company Ltd., CNPC Hong Kong, MISC Berhad (Petronas), Lundin Petroleum, and AREF Investment Group held within separately managed equity portfolios of the University of California Retirement Plan (UCRP) and the General Endowment Pool (GEP). The proposed policy would apply to both indexed and actively managed, publicly traded equity portfolios.

B. Prohibit future purchase of shares in the above nine companies until such time as the Chief Investment Officer reports to the Committee on Investment that either there is compelling information that a company has materially improved its operation and is no longer thought to be contributing to the suffering in the Darfur region of Sudan, or that the situation in the Darfur region has improved to such a point that the prohibition on investment is no longer thought to be in the best interests of the people of Sudan.

C. Condition implementation of the proposed divestment policy upon enactment by the California legislature and signature by the Governor of legislation providing indemnification for past, present, and future individual Regents, and the University, its officers, agents, and employees, for all costs and defense of any claim arising from the decision to divest.

D. Instruct the Chief Investment Officer to contact the management of several other companies identified by the Sudan Divestment Study Group to ask them to ensure that their business operations in Sudan, while providing beneficial effects for the people of Sudan, do not inadvertently contribute to the campaign of genocide.

E. Instruct the Chief Investment Officer to report on the status of this policy to the Committee on Investments as part of the annual review of the Investment Policies for the UCRP and GEP.

F. Divest all shares held in the nine companies within an 18-month period commencing once indemnification legislation has been enacted.

G. Communicate the decision to divest shares held in the nine companies to the managers of commingled accounts in which assets of the UCRP and GEP are invested, with a request...
that they consider the University’s stand on this issue as they make their investment decisions.

H. Communicate the decision to divest shares held in the nine companies to the Investment Committees of the Campus Foundations so that they may consider adopting similar policies for their Funds.