The Regents of the University of California

**COMMITTEE ON INVESTMENTS**
**INVESTMENT ADVISORY GROUP**
September 15, 2010

The Committee on Investments and the Investment Advisory Group met jointly on the above date at UCSF–Mission Bay Community Center, San Francisco.

Members present: Representing the Committee on Investments: Regents De La Peña, Kieffer, Makarechian, Marcus, and Schilling; Advisory member Anderson; Staff Advisors Herbert and Martinez
Representing the Investment Advisory Group: Member Taylor

In attendance: Faculty Representative Simmons, Secretary and Chief of Staff Griffiths, Associate Secretary Shaw, General Counsel Robinson, Chief Investment Officer Berggren, Executive Vice President Taylor, and Recording Secretary McCarthy

The meeting convened at 5:10 p.m. with Committee Vice Chair Marcus presiding.

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

Upon motion duly made and seconded, the minutes of the meeting of March 24, 2010 were approved.

2. **JUNE 2010 QUARTER AND FISCAL YEAR TO DATE INVESTMENT PERFORMANCE SUMMARY**

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

Committee Vice Chair Marcus briefly introduced the item.

Chief Investment Officer Berggren presented the Investment Performance Summary for the quarter and fiscal year ending June 2010. Ms. Berggren noted that the past investment year has been characterized by uncertainty. She reported that there was a stock rally from March 2009 to April 2010, prompted by good corporate earnings and a great economy; then the situation deteriorated in the second half of the current year, resulting in a difficult investment environment.

Ms. Berggren stated that year-to-year returns were strong, with the University of California Retirement Plan (UCRP) gaining 12.72 percent and the General Endowment Pool (GEP) gaining 10.8 percent. Asset allocation was a very positive factor for the year and there was good security selection in all asset classes. Asset allocation decisions contributed 59 basis points to UCRP's performance and 38 basis points to GEP's performance. The portfolios had very limited exposure to private real estate.

Ms. Berggren noted that the market rose earlier in the year, but plunged in May and June, resulting in a loss for the quarter. The emerging market sector was much stronger than the developed sector. Risk aversion was a main driver in the market. Stocks moved lower and bonds rallied.

In response to a question from Regent De La Peña, Ms. Berggren noted that this report covered the time period through the end of June 2010.

Ms. Berggren commented that it was a very difficult quarter for all equity markets. U.S. markets were down 11 percent, reflecting a great deal of risk reduction. She highlighted investors' concern that the economy is stagnant, about the debt crisis and about China's central bank signaling a potential contraction. She reported that bond yields fell across the world and opined that the market is in the middle of a bond bubble. Ms. Berggren showed a slide with graphs of longer-term returns and commented that the past five to ten years have been a difficult investment period.

Ms. Berggren discussed the performance of UCRP asset classes. She reported that U.S. equity, non-U.S. developed, and emerging markets were the worst performing asset classes for the three-month period ending June 30, 2010. On the other hand, performance of fixed income, Treasury Inflation-Protected Securities (TIPS), and private equity classes was positive. Private real estate had its first positive quarter in a while.

Ms. Berggren stated that 12-month returns were just the opposite, in that U.S. equity, non-U.S. equity, emerging markets, fixed income, TIPS and private equity classes had excellent returns, while real estate fell more than 25 percent. Ms. Berggren noted that returns in real estate are currently flattening and turning up.

Regent De La Peña asked whether the current market is more similar to that of the past quarter or the past year. Ms. Berggren replied that current conditions are more similar to the 12-month returns, with real estate picking up.

Ms. Berggren turned to the asset allocation of UCRP and GEP for the quarter ending in June. UCRP was overweight in core fixed income, private equity, absolute return, and opportunistic asset classes and underweight in U.S. equity, non-U.S. equity, and real estate asset classes. GEP followed a similar trend.

Ms. Berggren commented on the importance of determining the sources of performance in the portfolios and showed a related slide on performance attribution. Overall, the U.S. equity, non-U.S. equity, emerging markets, core fixed income, TIPS, real estate, and absolute return asset classes added 11, 32, 8, 9, 6, 44, and 10 basis points respectively. She reported that, in sum, UCRP gained 59 basis points from asset allocation and 52 from security selection, for a total gain of 111 basis points, an exceptional return. Ms. Berggren showed a slide detailing a very similar trend for GEP, with asset allocation contributing 38 basis points. She explained that security selection refers to the choice of individual securities and managers.

Regent Makarechian asked how asset allocation differs from security selection. Ms. Berggren responded that security selection in the fixed income area refers to the choice of individual bonds; in the private equity area, security selection means the choice of managers. She explained that when changes are made in asset allocation, the asset classes may have a different contribution of securities. She commented that timing is very important.

Ms. Berggren showed a slide detailing portfolio risk and noted that UCRP Total Risk is very similar to the policy benchmark risk. She emphasized that the investment advisors for both portfolios have maintained a very tight control over risk. Almost all active risk in the portfolios is due to underweight in real estate.

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

The Chief Investment Officer (CIO) and the Regents' general investment consultant, Mercer Investment Consulting, Inc., recommended that the expenditure rate (payout rate) for the Total Return Investment Pool for the fiscal year 2010-11 be set at a maximum of six percent.

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

Committee Vice Chair Marcus briefly introduced the item which involves the payout rate for the Total Return Investment Pool (TRIP). Ms. Berggren commented that the rate would be maintained at six percent, the same rate as the prior year.

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

4. **AMENDMENT OF UNIVERSITY OF CALIFORNIA RETIREMENT PLAN AND GENERAL ENDOWMENT POOL POLICIES FOR OPPORTUNISTIC ASSETS**

The Chief Investment Officer (CIO) and the Regents' general investment consultant, Mercer Investment Consulting, Inc., recommended that Regents Policy 6101: Investment Policy Statement for University of California Retirement Plan (UCRP) and Regents Policy 6102: Investment Policy Statement for General Endowment Pool (GEP) be amended as shown in Attachments 1 and 2.

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

Ms. Berggren explained that the Office of the Treasurer recommended establishing an opportunistic asset class, which is any group of investments on either the credit or the equity side that does not fit into an existing asset class. She noted that, although benchmarks are typically set for each asset class, since opportunistic investments are very unique in nature, one benchmark could not be set for the whole class. The Office of the Treasurer recommended that, once a specific opportunistic investment is identified, the investment consultant would determine a benchmark for that investment. If the particular opportunistic investment represented more than 50 basis points of the portfolio, then the benchmark recommendation would be approved by the Chair of the Committee on Investments.

Committee Vice Chair Marcus asked Ms. Berggren for an example. Ms. Berggren cited the currency manager as one example. Mr. Terry Dennison, representing Mercer Investment Consulting, noted that the maximum would be 50 basis points of the entire portfolio. Ms. Berggren agreed that this would represent a very small portion of the whole portfolio. Mr. Dennison elaborated that this amendment would be setting a process for establishing the budget lines for opportunistic assets.

Regent Makarechian inquired about the establishment of separate benchmarks rather than an overall benchmark. Ms. Berggren responded that, in the opportunistic asset class, one benchmark could not be used for the whole class.

Faculty Representative Anderson asked if the Office of the Treasurer was testing the waters for future investments, since 50 basis points is a small portion of the portfolio. Ms. Berggren agreed and indicated that this class could increase to as much as five percent of the portfolio in the future. Committee Vice Chair Marcus stated that this issue of expanding the class would require a much longer discussion. He emphasized that the current Chief Investment Officer's item involved only 50 basis points.

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

The meeting adjourned at 5:30 p.m.

Attest:

Secretary and Chief of Staff

**UNIVERSITY OF CALIFORNIA RETIREMENT PLAN**
**INVESTMENT POLICY STATEMENT**

**APPENDIX 1**
Effective: ~~April 1, 2010~~October 1, 2010
Replaces Version Effective: April 1, 2010~~June 1, 2009~~

## ASSET ALLOCATION, PERFORMANCE BENCHMARKS, AND REBALANCING POLICY

Based on the risk budget for the Retirement Fund, the Committee has adopted the following asset allocation policy, including asset class weights and ranges, benchmarks for each asset class, and the benchmark for the total Retirement Fund.

Criteria for including an asset class in the strategic policy include:

- Widely recognized and accepted among institutional investors
- Has low correlation with other accepted asset classes
- Has a meaningful performance history
- Involves a unique set of investors.

The Current Policy Allocation recognizes the current underinvestment in illiquid asset classes (real estate, real assets) and the corresponding need to set rebalancing ranges around this effective policy allocation until such time as long-term policy weights in these classes are achieved. The allowable ranges for each asset class and in total have been chosen to be consistent with budgets and ranges for total and active risk (see Appendix 2).

### A. Strategic Asset Allocation and Ranges

| | Long-Term Target Allocation | Current Policy Allocation | Allowable Ranges Minimum | Allowable Ranges Maximum |
|---|---|---|---|---|
| U.S. Equity | 23% | 31% | 26 | 36 |
| Developed Non US Equity | 22 | 22 | 17 | 27 |
| Emerging Mkt Equity | 5 | 4 | 2 | 6 |
| Global Equity | 2 | 2 | 1 | 3 |
| US Fixed Income | 12 | 12 | 9 | 15 |
| High Yield Fixed Income | 2.5 | 2.5 | 1.5 | 3.5 |
| Emerging Mkt Fixed Income | 2.5 | 2.5 | 1.5 | 3.5 |
| TIPS | 8 | 8 | 6 | 10 |
| Absolute Return Strategy | 6.5 | 5 | 0 | 10 |
| Real Assets | 3 | 0.5 | 0 | 1.5 |
| Opportunistic | 0.5 | 0.5 | 0 | 1.5 |
| Private Equity | 6 | 6 | 3 | 9 |
| Real Estate | 7 | 4 | 1 | 7 |
| Liquidity | 0 | 0 | 0 | 10 |
| | 100% | 100% | | |
| Combined Public Equity | 52 | 59 | 49 | 69 |
| Combined Fixed Income | 25 | 25 | 20 | 30 |
| Combined Alternatives | 23 | 16 | 9 | 23 |

## B. Asset Class Performance Benchmarks

The Committee has adopted the following performance benchmarks for each asset class. Criteria for selection of a benchmark include:

- Unambiguous: the names and weights of securities comprising the benchmark are clearly delineated
- Investable: the option is to forego active management and simply replicate the benchmark
- Measurable: it is possible to readily calculate the benchmark's return on a reasonably frequent basis
- Appropriate: the benchmark is consistent with the Committee's investment preferences or biases
- Specified in Advance: the benchmark is constructed prior to the start of an evaluation period
- 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

| Asset Class | Benchmark |
|---|---|
| U.S. Equity | Russell 3000 Tobacco Free Index |
| Developed Non US Equity | MSCI World ex-US (Net Dividends) Tobacco Free |
| Emerging Mkt Equity | MSCI Emerging Market Free (Net Dividends) |
| Global Equity | MSCI All Country World Index Net – IMI – Tobacco Free |
| Fixed Income | Barclays Capital US Aggregate Index |
| High Yield Fixed Income | Merrill Lynch High Yield Cash Pay Index |
| Emg Mkt Fixed Income | 33% times JP Morgan Emerging Market Bond Index – Global Diversified, plus 67% times the JP Morgan Global Bond Index – Emerging Markets – Global Diversified |
| TIPS | Barclays Capital USTIPS Index |
| Absolute Return Strategy | 50% x HFRX Absolute Return Index + 50% HFRX Market Directional Index |
| Real Assets | Commodities: S&PGSCI Reduced Energy Index<br>All Other: N/A (see below note 4) |
| Opportunistic | See below note 5 |
| Private Equity | N/A (see below note 2) |
| Real Estate | Public: 50% times the FTSE EPRA NAREIT US Index plus 50% times the FTSE EPRA NAREIT Global ex-US Index<br>Private (core strategies): NCREIF Funds Index – Open end Diversified Core Equity, lagged 3 months<br>Private (non-core strategies): N/A (see below note 3) |

Notes on asset class benchmarks:

1. Global Equity: The Treasurer will determine what constitutes a tobacco company based on standard industry classification of the major index providers (e.g., Russell, MSCI) and communicate this list to investment managers annually and whenever changes occur.

2. Private Equity: *Long-term* portfolio returns will be compared to investable public equity alternatives as well as non-investable peer group indices. There is no appropriate market benchmark to use for *short-term* performance evaluation or decision making.
3. Private Real Estate (non-core strategies only): similar to Private Equity
4. Real Assets (all strategies ex-commodities): similar to Private Equity
5. Opportunistic: By their nature, unique or limited opportunity investments are difficult to benchmark, and there will not be a "one size fits all" benchmark for this category. The Regents' general investment consultant will establish the appropriate individual benchmark after the investment is chosen but before funding the investment. For any asset whose size at initial or subsequent purchase is greater than ½ of one percent of the total fund market value, the benchmark will be approved by the Chair of the Committee on Investments based on recommendation of the Regents' general investment consultant.

## C. Total Retirement Fund Performance Benchmark

This is the composition of the total Fund performance benchmark referred to in the Investment Policy Statement, Part 4(d). The percentages below add to 100%.

| **Percentage** | **Benchmark** |
|---|---|
| 31% | × Russell 3000 Tobacco Free Index |
| 22% | × MSCI World ex-US (Net Dividends) Tobacco Free |
| 4% | × MSCI Emerging Market Free (Net Dividends) |
| 2% | × MSCI All Country World Index Net – IMI – Tobacco Free |
| 12% | × Barclays Capital US Aggregate Index |
| 2.5% | × Merrill Lynch High Yield Cash Pay Index |
| 2.5% | × 33% times JP Morgan Emerging Market Bond Index – Global Diversified, plus 67% times the JP Morgan Global Bond Index – Emerging Markets – Global Diversified |
| 8% | × Barclays Capital US TIPS Index |
| 5% | × 50% x HFRX Absolute Return Index + 50% HFRX Market Directional Index |
| 0.5% | × Aggregate Real Assets benchmark (see section B, with components weighted by their actual weights within the total real assets portfolio) |
| 0.5% | × Aggregate Opportunistic benchmark (see section B, with components weighted by their actual weights within the total opportunistic portfolio) |
| 6% | × Actual return of private equity portfolio |
| 4% | × Aggregate Real Estate benchmark (see section B, with components weighted by their actual weights within the total real estate portfolio) |

Notes on total fund benchmark:
1. The benchmark for private equity is replaced by the private equity portfolio's actual performance. This has the effect of neutralizing the active performance of this class for purposes of total fund performance evaluation. Similar comments apply to private real estate – non-core strategies (closed end funds) and Real Assets (all strategies ex commodities).
2. The calculation of the total fund benchmark will assume a monthly rebalancing methodology.

3. In the event of a significant change in asset allocation, The Regents' generalist consultant may specify an alternative weighting scheme to be used during a transition period.

## D. Rebalancing Policy

There will be periodic deviations in actual asset weights from the long-term/current policy asset weights specified above. Causes for periodic deviations are market movements, cash flows, and varying portfolio performance. Significant movements from the asset class policy weights will alter the intended expected return and risk of the Fund. Accordingly, the Investment Committee authorizes the Treasurer to rebalance the Fund when necessary to ensure adherence to the Investment Policy.

The Treasurer will monitor the actual asset allocation at least monthly. The Committee directs the Treasurer to take all actions necessary, within the requirement to act prudently, to rebalance assets to within the policy ranges in a timely and cost effective manner when actual weights are outside the prescribed ranges. The Treasurer may utilize derivative contracts (in accordance with Appendix 4) to rebalance the portfolio.

The Treasurer shall assess and manage the trade-off between the cost of rebalancing and the active risk associated with the deviation from policy asset weights. With approval from the Chair of the Committee, the Treasurer may delay a rebalancing program when the Treasurer believes the delay is in the best interest of the Plan. Results of rebalancing will be reported to the Committee at quarterly meetings.

**UNIVERSITY OF CALIFORNIA GENERAL ENDOWMENT POOL**
**INVESTMENT POLICY STATEMENT**

**APPENDIX 1**
Effective: ~~April 1, 2010~~October 1, 2010
Replaces Version Effective: April 1, 2010~~December 1, 2008~~

## ASSET ALLOCATION, PERFORMANCE BENCHMARKS, AND REBALANCING POLICY

Based on the risk budget for the GEP, the Committee has adopted the following asset allocation policy, including asset class weights and ranges, benchmarks for each asset class, and the benchmark for the total GEP.
Criteria for including an asset class in the strategic policy include:

- Widely recognized and accepted among institutional investors
- Has low correlation with other accepted asset classes
- Has a meaningful performance history
- Involves a unique set of investors

The Current Policy Allocation recognizes the current under-investment in illiquid asset classes (real estate, real assets) and the corresponding need to set rebalancing ranges around this effective policy allocation until such time as long-term policy weights in these classes are achieved. The allowable ranges for each asset class and in total have been chosen to be consistent with budgets and ranges for total and active risk.

### A. Strategic Asset Allocation and Ranges

| | Long-Term Target Allocation | Current Policy Allocation | Allowable Ranges Minimum | Allowable Ranges Maximum |
|---|---|---|---|---|
| U.S. Equity | 19% | 20% | 15 | 25 |
| Developed Non US Equity | 18 | 18.5 | 13.5 | 23.5 |
| Emerging Mkt Equity | 5 | 5 | 3 | 7 |
| Global Equity | 2 | 2 | 1 | 3 |
| US Fixed Income | 5 | 8 | 5 | 11 |
| High Yield Fixed Income | 2.5 | 3 | 2 | 4 |
| Emerging Mkt Fixed Income | 2.5 | 3 | 2 | 4 |
| TIPS | 2.5 | 4 | 2 | 6 |
| Absolute Return | 23.5 | 23.5 | 18.5 | 28.5 |
| Real Assets | 3.0 | 0.5 | 0 | 1.5 |
| Opportunistic | 0.5 | 0.5 | 0 | 1.5 |
| Private Equity | 9 | 7 | 4 | 10 |
| Real Estate | 7.5 | 5 | 2 | 8 |
| Liquidity | 0 | 0 | 0 | 10 |
| | 100% | 100% | | |
| Combined Public Equity | 44 | 45.5 | 35.5 | 55.5 |
| Combined Fixed Income | 12.5 | 18 | 13 | 23 |
| Combined Alternatives | 43.5 | 36.5 | 26.5 | 46.5 |

* Alternatives category including, but not limited to: Real Estate, Private Equity, and Absolute Return Strategies

## B. Asset Class Performance Benchmarks

The Committee has adopted the following performance benchmarks for each asset class. Criteria for selection of a benchmark include:

- Unambiguous: the names and weights of securities comprising the benchmark are clearly delineated
- Investable: the option is to forego active management and simply replicate the benchmark
- Measurable: it is possible to readily calculate the benchmark's return on a reasonably frequent basis
- Appropriate: the benchmark is consistent with The Committee's investment preferences or biases
- Specified in Advance: the benchmark is constructed prior to the start of an evaluation period
- Reflecting 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

| Asset Class | Benchmark |
|---|---|
| U.S. Equity | Russell 3000 Tobacco Free Index |
| Non US Eq. Devel. | MSCI World ex-US Net Tobacco Free |
| Emerging Mkt Eq | MSCI Emerging Market Free Net |
| Global Equity | MSCI All Country World Index Net – IMI – Tobacco Free |
| Fixed Income | Lehman Aggregate Bond Index |
| High Yield Fixed Income | Merrill Lynch High Yield Cash Pay Index |
| Emg Mkt Fixed Income | 33% times JP Morgan Emerging Market Bond Index – Global Diversified, plus 67% times the JP Morgan Global Bond Index – Emerging Markets – Global Diversified |
| TIPS | Lehman TIPS Index |
| Absolute Return | 50% x HFRX Absolute Return Index + 50% HFRX Market Directional Index |
| Real Assets | Commodities: S&PGSCI Reduced Energy Index<br>All Other: N/A (see below note 4) |
| Opportunistic | See below note 5 |
| Private Equity | N/A (see below note 2) |
| Real Estate | Public: 50% times the FTSE EPRA NAREIT US Index return plus 50% times the FTSE EPRA NAREIT Global ex-US Index return<br>Private (core strategies): NCREIF Funds Index– Open end Diversified Core Equity, lagged 3 months<br>Private (non-core strategies): N/A (see below note 3) |

**UNIVERSITY OF CALIFORNIA GENERAL ENDOWMENT POOL**
**INVESTMENT POLICY STATEMENT**

Notes on asset class benchmarks:
1. Global Equity: The Treasurer will determine what constitutes a tobacco company based on standard industry classification of the major index providers (e.g., Russell, MSCI) and communicate this list to investment managers annually and whenever changes occur.
2. Private Equity: *Long term* portfolio returns will be compared to investable public equity alternatives as well as non-investable peer group indices. There is no appropriate market benchmark to use for *short term* performance evaluation or decision making.
3. Private Real Estate (non-core strategies only): similar to Private Equity
4. Real Assets (all strategies ex-commodities): similar to Private Equity
5. Opportunistic: By their nature, unique or limited opportunity investments are difficult to benchmark, and there will not be a "one size fits all" benchmark for this category. The Regents' general investment consultant will determine the appropriate individual benchmark after the investment is chosen but before funding the investment. The benchmark for any asset whose size at initial or subsequent purchase is greater than ½ of one percent of the total fund market value will be will be approved by the Chair of the Committee on Investments based on recommendation of the Regents' general investment consultant.

## C. Total GEP Performance Benchmark

This is the composition of the total GEP performance benchmark referred to in the Investment Policy Statement, Part 4(b). The percentages below add to 100%.

| Percentage | Benchmark |
|---|---|
| 19% | × Russell 3000 Tobacco Free Index |
| 18% | × MSCI World ex-US Net Tobacco Free |
| 5% | × MSCI Emerging Market Free Net |
| 2% | × MSCI All Country World Index Net – IMI – Tobacco Free |
| 8% | × Lehman Aggregate Bond Index |
| 3% | × Merrill Lynch High Yield Cash Pay Index |
| 2.5% | × Citigroup World Government Bond Index ex-US |
| 3% | × 33% times JP Morgan Emerging Market Bond Index – Global Diversified, plus 67% times the JP Morgan Global Bond Index – Emerging Markets – Global Diversified |
| 4% | × Lehman TIPS Index |
| 23.5% | × 50% x HFRX Absolute Return Index + 50% HFRX Market Directional Index |
| 0.5% | × Aggregate Real Assets benchmark (see section B, with components weighted by their actual weights within the total real assets portfolio) |
| 0.5% | × Aggregate Opportunistic benchmark (see section B, with components weighted by their actual weights within the total opportunistic portfolio) |
| 7% | × Actual return of private equity portfolio |
| 5% | × Aggregate Real Estate benchmark (see section B, with components weighted by their actual weights within the total real estate portfolio) |

Notes on Total Fund benchmark:

1. The benchmark for private equity is replaced by the private equity portfolio's actual performance. This has the effect of neutralizing the active performance of this class for purposes of total fund performance evaluation.
2. The calculation of the Total Fund benchmark will assume a monthly rebalancing methodology.
3. In the event of a significant change in asset allocation, The Regents' generalist consultant may specify an alternative weighting scheme to be used during a transition period.

## D. Rebalancing Policy

There will be periodic deviations in actual asset weights from the long-term/current policy asset weights specified above. Causes for periodic deviations are market movements, cash flows, and varying portfolio performance. Significant movements from the asset class policy weights will alter the intended expected return and risk of the GEP. Accordingly, the Investment Committee authorizes the Treasurer to rebalance the GEP when necessary to ensure adherence to the Investment Policy.

The Treasurer will monitor the actual asset allocation at least monthly. The Committee directs the Treasurer to take all actions necessary, within the requirement to act prudently, to rebalance assets to within the policy ranges in a timely and cost effective manner when actual weights are outside the prescribed ranges. The Treasurer may utilize derivative contracts [in accordance with Appendix 4] to rebalance the portfolio.

The Treasurer shall assess and manage the trade-off between the cost of rebalancing and the active risk associated with the deviation from policy asset weights. With approval from the Chair of the Committee, the Treasurer may delay a rebalancing program when the Treasurer believes the delay is in the best interest of the GEP. Results of rebalancing will be reported to the Committee at quarterly meetings.