THE REGENTS OF THE UNIVERSITY OF CALIFORNIA

September 17, 2020

The Regents of the University of California met on the above date by teleconference meeting conducted in accordance with Paragraph 3 of Governor Newsom's Executive Order N-29-20.

Members present:	Regents Anguiano, Butler, Cohen, Drake, Elliott, Estolano, Guber, Kieffer, Kounalakis, Lansing, Leib, Makarechian, Mart, Muwwakkil, Ortiz Oakley, Park, Pérez, Reilly, Sherman, Stegura, Sures, Thurmond, and Zettel
In attendance:	Regents-designate Lott, Torres, and Zaragoza, Faculty Representatives Gauvain and Horwitz, Secretary and Chief of Staff Shaw, General Counsel Robinson, Provost Brown, Executive Vice President and Chief Financial Officer Brostrom, Executive Vice President Byington, Executive Vice President and Chief Operating Officer Nava, Vice Presidents Brown, Maldonado, and Nation, Interim Vice President Lloyd, Chancellors Block, Christ, Gillman, Hawgood, Khosla, Larive, May, Muñoz, Wilcox, and Yang, and Recording Secretary Li

The meeting convened at 8:40 a.m. with Chair Pérez presiding.

Regent Guber stated that he was present at the open session meeting of the Board on July 30th, having participated by telephone. He voted in favor of the action items presented but encountered technical difficulties, so his votes were not heard. He wished to ensure that his intended votes were recognized. Chair Pérez stated that Regent Guber's intended votes would be reflected in the minutes of this meeting by way of this statement.

1. **PUBLIC COMMENT**

Chair Pérez explained that the public comment period permitted members of the public an opportunity to address University-related matters. The following persons addressed the Board concerning the items noted.

A. Syreeta Nolan, UCSD student, stated that UC Student Health Insurance Plan (SHIP) copays compounded the burden on disabled students. In 2020, Ms. Nolan's UC SHIP covered 143 claims totaling over $110,000, and she was responsible for over $4,400 that was covered by Medi-Cal. She called for the advocacy for Medi-Cal coverage to complement UC SHIP and for mental health service copays to be suspended. It was her hope to be selected as a Student Observer of the Health Services Committee in order to give a voice for disabled students.

B. Marsha Noeline, UCLA staff member and member of the UC Administrative Professionals Network, spoke about staff concerns. In the same way that the University has offset budget increases through tuition and fee increases, UC was offsetting the cost of the COVID-19 pandemic through furloughs and pay cuts of unrepresented staff. Being furloughed during an uncertain time would have severe, long-term repercussions for staff, their families, and communities. The UC Administrative Professionals Network were partners with the University and deserved to be treated fairly.

C. David Miller Shevelev, UCSC student, shared the experience of his girlfriend, an international student who was diagnosed with a psychiatric disability, could not receive mental health services on campus, and returned to her home country. Since the start of the pandemic, instances of depression have increased threefold, 13.3 percent of adults reported increased substance use, and 10.7 percent of adults reported having seriously contemplated suicide in the last 30 days. Funding counseling was not UC's only option. The University should address the deficit in mental healthcare providers.

D. Liz Wiggans, sixth grade teacher at Konawaena Middle School in Kealakekua, Hawaii, spoke in opposition to the Thirty Meter Telescope (TMT) on Mauna Kea. The United Nations Committee on the Elimination of Racial Discrimination issued a letter stating that the TMT project had not obtained free, prior, and informed consent from Native Hawaiians. Trust must be reestablished with all stakeholders. Ms. Wiggans warned of environmental damage from TMT construction and the social and agricultural consequences. President Drake had the power to end UC's involvement in the TMT project. Opponents of the TMT on Mauna Kea invited President Drake and the Board to stand with them.

E. Leandrew Dailey, UCSF student, called on the University to defund and abolish UC police departments (UCPD). UC could not claim that its values lay in the betterment of humanity if it upheld policing rooted in violence and anti-blackness. UCPD has used its power to oppress black and indigenous people of color and was a financial liability while workers were being laid off and faculty were being asked to take pay freezes. UCPD has not kept UC safe. He asked UC to invest in systems that uplift and heal black, indigenous, and other communities of color.

F. Zuri Duarte, UCLA student, called on UC to defund UCPD because of its role in perpetrating violence against communities of color. The University has not provided the infrastructure for students to succeed and graduate, and programs were under threat of budget cuts, but UCPD has gained a larger budget every year. UCPD targeted black and brown people on campuses and neighboring communities. UC should invest in programs that support black and brown students and acknowledge its history of colonialism and discriminatory practices.

G. Araceli Diaz Carvajal stated that she worked in housekeeping for ten years at Laguna Cliffs Marriott Resort and Spa, which was owned by the UC Retirement Plan. On August 1, the hotel cancelled workers' health insurance after they unionized. Last year, her husband had a stroke and because of her lack of health insurance, has not refilled his prescription or seen his stroke specialist. She and her husband did not have $1,454 every month to pay for health insurance. Members of

Laguna Cliffs management locked their doors when workers try to speak to them. Workers demanded a fair contract with health insurance.

H. Andres Flores stated that he has worked for 20 years at Laguna Cliffs Marriott Resort and Spa, which cut workers' health insurance coverage. His colleague and friend contracted COVID-19 but no longer had health insurance. Mr. Flores tried to help him receive medical care, but he died in his apartment several days later. He asked UC to ensure that Laguna Cliffs management sign a just contract that reinstates workers' health insurance.

I. Jose Preciado stated that he has worked as a cook at Laguna Cliffs Marriott Resort and Spa for 31 years. After his health insurance was cut, he has spent hundreds of dollars every month on prescription medications. Because of the pandemic, he was spending his life savings to keep up with mortgage payments and did not have $900 every month for Consolidated Omnibus Budget Reconciliation Act (COBRA) coverage. On the occasions that he and other workers of color tried to speak to hotel management, managers called the Orange County Sheriff to arrest them or locked their doors. Workers demanded a just contract with health insurance.

J. Drew Scott, Skilled Trades Director for Teamsters Local 2010, spoke about layoffs. Campuses typically justified layoffs with a lack of work, but there was much work that union members could do: bargaining unit work that was being contracted out, billions of dollars in deferred maintenance projects, and work that members could be redeployed to do. Instead of exploring alternatives, such as insourcing work, shifting from major capital to minor capital projects, redeploying workers, and drawing from unrestricted funds and reserves, campuses have resorted to layoffs. He asked that the Regents call on campuses to stop layoffs.

K. Adam Gottstein, grandson of muralist Bernard Zakheim, spoke about the handling of Mr. Zakheim's murals in Toland Hall at UCSF. The Parnassus Heights redevelopment project accepted bids to remove Mr. Zackheim's murals, a cultural and black history resource, without consultation of the State Office of Historic Preservation or clarification with the U.S. General Services Administration regarding ownership of the artwork. More time and open discussion were needed to resolve these issues, safely remove the murals, and relocate them.

L. Davina Woods, UCLA staff member and member of the American Federation of State, County and Municipal Employees (AFSCME) 3299, spoke about layoffs. It took her and her colleagues three years to win a labor contract with job security, but, since the pandemic, hundreds of UC workers were laid off or had their time cut. UCLA violated the contract and refused to insource custodians working for BMS. She asked UC to stop layoffs, to stop cuts, and to insource BMS workers.

M. Chelcee Lacuesta, former UCSD nurse, called for an end to layoffs. She was separated from her family when she worked on a designated COVID-19 floor at the hospital, and she tested positive for COVID-19 after she was laid off. She no longer had health insurance, which had covered her husband and children. She called on UCSD to help the nurses who had been laid off.

N. Liz Perlman, Executive Director of AFSCME 3299, called for an end to layoffs. She welcomed President Drake and expressed her hope that AFSCME members would receive better treatment under his leadership than that of his predecessor. Layoffs and cutting health insurance were choices, and these layoffs were devastating and preventable. UC would have to justify these choices with lawmakers when asking for more State funding.

O. Cristina Gomez, UCSB student and representative of California Public Interest Research Group (CALPIRG), spoke about CALPIRG's New Voters Project. College-age students represented the largest and most diverse group of potential voters but lacked sufficient voter turnout. CALPIRG sought to register 15,000 students, educate students about the upcoming general election, and work with colleges to make voter registration on campus easier. The New Voters Project has already registered two million young voters She thanked Regents for participating in the California Student Voting Summit.

P. James Enstrom, UCLA epidemiologist, spoke in support of Proposition 209. He cited the research of UCLA School of Law Professor Richard Sander, who was blocked from getting access to data from the Office of the President (UCOP). He stated that Mr. Sander should have the same access to data as a UC Berkeley graduate student Zachary Bleemer. He appealed to the value of Proposition 209 for the University and the state.

Q. Judy Fan, UCLA genetic counselor, spoke about UCLA Health's decision to contract out its genetic counseling services. Per Regents Policy 5402: Policy Generally Prohibiting Contracting for Services, contracting out should be a last resort, but this was not a last resort. On September 1, UCLA genetic counselors filed a claim to UCOP Labor Relations. UCLA genetic counselors cared about providing high-quality care to patients and education to those in the genetics counseling program, and they asked UC to enforce Regents Policy 5402 and ensure that UCLA Health terminates the contract as soon as the pilot program is completed.

R. Ahna Neustadt, UCLA genetic counselor, spoke about UCLA Health's decision to contract out its genetic counseling services. Per Regents Policy 5402: Policy Generally Prohibiting Contracting for Services, contracting out should be a last resort, but this was not a last resort. On September 1, UCLA genetic counselors filed a policy violation claim to UCOP Labor Relations. UCLA genetic counselors cared about providing high-quality care to patients and education to those in the master's program, and they asked UC to enforce Regents Policy 5402 and ensure that UCLA Health terminates the contract as soon as the pilot program is completed.

S. J.D. Spurgeon, UCSF staff member, spoke in opposition to layoffs, cuts, and contracting out. He was impressed with how UC has grown its assets and believed that these assets should be used to preserve workers' jobs. This was how emergency money was meant to be used. Layoffs were devastating to workers' families and the community and families of staff. The remaining workers were fearful.

T. Ambereen Siddiqui, UCI student, spoke in opposition to UCPD. Ms. Siddiqui stated that the police were an institution rooted in anti-blackness and violence that was designed to protect hetero-patriarchy, whiteness, and property. UCPD targeted students based on colonial values and students' skin color. It was UC's duty in fighting racism to abolish UCPD. The University should also condemn Canary Mission, a website targeting students and faculty of color who were advocating for human rights in Palestine.

U. Hasan Alkhairo, UCSF student, spoke about policing at UC. The discussion about campus policing during the July Regents meeting was insufficient, and such discussions should permanently be on the Regents meeting agenda. UC should be considering the abolition of UCPD. He asked that discussions about policing continue and that the Regents consider defunding UCPD.

2. APPROVAL OF MINUTES OF PREVIOUS MEETING

Upon motion duly made and seconded, the minutes of the meetings of July 7 and July 30, 2020 were approved, Regents Anguiano, Butler, Cohen, Elliott, Estolano, Guber, Kieffer, Lansing, Leib, Makarechian, Mart, Muwwakkil, Ortiz Oakley, Park, Pérez, Reilly, Sherman, Stegura, Sures, and Zettel voting "aye"[1] and Regents Drake and Thurmond abstaining.

3. REMARKS FROM STUDENT ASSOCIATIONS

President Drake introduced new UC Student Association (UCSA) President Aidan Arasasingham, Global Studies major at UCLA and External Vice President of the UCLA Undergraduate Student Council.

Mr. Arasasingham began his remarks by welcoming President Drake and expressing students' eagerness to collaborate with him. The current UC climate was comparable to what Mr. Arasasingham's grandfather experienced as an international student from Sri Lanka attending UC Davis in 1968, a time marked by the opposition to the Vietnam War and the civil rights movement. UCSA was founded out of these movements in 1971. He looked forward to working with the Regents in tackling the triple pandemics of COVID-19, systemic racism, and unaffordability. He shared several of UCSA priorities for the coming year. First, UCSA sought a COVID-19 response and recovery that protects, invests in, and supports all students, especially low-income, rural, disabled, and nonresident

[1] Roll call vote required by the Bagley-Keene Open Meeting Act [Government Code §11123(b)(1)(D)] for all meetings held by teleconference.

students. Further investment in food, housing, physical and mental health, childcare, and advising services were necessary for students struggling with the pandemic and an economic recession. This crisis presented an opportunity to build a better system that cultivates resilience, promotes equity, and uplifts students and workers. Second, students looked to the Regents for leadership in anti-racism, including a review of the role of UC police departments (UCPD). Students and faculty agreed that UC needed a wholesale re-envisioning of safety on campuses, where a majority of circumstances do not need a police intervention and a majority of police interventions do not need an armed response. Students were frustrated that campuses were proposing increases to UCPD funding while laying off hundreds of workers. UCSA reaffirmed Chair Pérez's call for the Regents' comprehensive review of community safety, with recommendations for campuses by early 2021. Conversations on public safety must happen in public and with the involvement of affected students. Lastly, UCSA, in partnership with the Office of the President (UCOP), the California Public Interest Research Group (CALPIRG), Regent Kounalakis, the California Secretary of State, and others, had been registering and educating student voters. Students were being directed to register to vote at CALPIRG's New Voters Project website, and UCSA was sending information about deadlines and voting options to registered students, as well as promoting their turnout. UCSA was employing various approaches to promote voter turnout, such as digital advertisements featuring UC Olympic athletes, social media from club leaders, and emails from chancellors. UCSA and student groups were advocating for the passage of Proposition 16, promoting opportunity for all at UC. Mr. Arasasingham thanked the Regents, whose attention to student voting has led to the most sophisticated student voter efforts in the nation. UC's direct investment in students' ability to organize and advocate has yielded tangible results. He expressed his hope that, at the next meeting, UC and UCSA would be better able to pursue their shared aims of securing a federal stimulus, a fair State budget, and a University that reflects the diversity of the state. He looked forward to continued partnership with the Regents to support the University's student body.

President Drake introduced the UC Graduate and Professional Council (UCGPC) President Gwen Chodur, a Ph.D. candidate in Nutritional Biology at UC Davis, the External Vice President of the UC Davis Graduate Student Association, and member of the Systemwide Basic Needs Committee.

Ms. Chodur began her remarks by imploring the Board to form a special committee on campus safety and policing. The UC system should have uniform standards of conduct, de-escalation training, and guidance on officer removal. Basic needs, as defined by the draft final report of the Special Committee on Basic Needs, included "sustaining emotional and mental well-being," which was not achievable when students are over-policed. Ms. Chodur thanked Regent Muwwakkil and former Regent Weddle for leading the Special Committee on Basic Needs and their engagement with stakeholders, and she looked forward to the advocacy, research, and programmatic work necessary to reach basic needs goals. While the University was anticipating difficult days ahead because of the budget scenario, graduate students have long struggled even when UC was doing well financially. UC did not pay graduate students enough to live where they work and learn. Graduate students' concerns about rent burden fell on deaf ears in a meeting between UCOP Labor Relations and the teaching assistants' labor union last February. Graduate students in the quarter system would not be paid until November 1 but would already have expenses such as rent, groceries, and parking permits. This was a drain on students' savings that they could not replenish at their pay rate. An inequitable and inconsistent response to the pandemic was also harming graduate students. A one-year extension for time-to-degree has been issued systemwide, but eight campuses have failed to give matching extensions on waivers and Nonresident Supplemental Tuition, which put strain on international students who did not qualify for COVID-19 or other government-funded relief. Ms. Chodur called for a one-year extension for all international graduate students. On September 1, UCPath did not pay two departments of teaching assistants, and students became food and housing insecure in the two weeks it took for this to be corrected. Other students were overpaid and then substantially underpaid. Postdoctoral researchers, who were not represented by UCGPC, missed pay, had not received pay raises, and had trouble enrolling in healthcare and retirement benefits. Ms. Chodur shared how UCPath issues affected her. She was underpaid on her last three paychecks, and her July 1 paycheck had over $700 in improper deductions that were not repaid until August 6. This repayment prevented her rent check from bouncing, because her August 1 paycheck did not include pay for her graduate student researcher position. She was one of 2,312 students with similar issues that were not resolved until August 31. She had not been paid in September either, and the University owed her $4,500 in unpaid wages. Ms. Chodur has spent much time over the past seven weeks sending emails that have been unanswered and searching the UCPath portal for information on the progress of her repayment. She thanked Regent Sures and Secretary and Chief of Staff Shaw for their intervention regarding her pay. UC spent half a billion dollars to implement UCPath, which has harmed graduate students. She noted that the draft report from the Special Committee on Basic Needs also suggested an additional $500 million in need-based grants to increase student aid and decrease the number of undergraduate students who would need to take out loans or work. A massive influx of funds, from State and federal allocations or private philanthropy, was needed to achieve the goals set in this report. Legislators were rightly critical of the implementation of UCPath, and it would be difficult to ask for a similar amount in government funding. Achieving the goals in the report would not be possible until the University resolves its issues.

4. **STRATEGIC PLAN FOR UC HEALTH DIVISION, OFFICE OF THE PRESIDENT**

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

Executive Vice President Byington explained that the five-year strategic plan spanning 2017 to 2022 was developed before her arrival and that her office reviewed and refreshed the plan from November 2019 to January 2020. The revised plan was reviewed and endorsed by the vice chancellors for health, chief executive officers of the hospitals, deans, chancellors of campuses with health centers, President Emerita Napolitano, and the Health Services Committee. In Dr. Byington's view, this plan provided the UC Health division with excellent guidance through fiscal year 2022, as COVID-19 would continue be a primary driver of UC Health activities. The next iteration should be a strategic plan for all of UC Health, including the UC Health system, health center campuses, and 20 health professional degree programs, perhaps facilitated by outside support. The UC Health system had the nation's largest health sciences instructional program, with nearly 15,000 students in 20 health professional schools on seven campuses. UC Health ran the largest academic health system in the U.S. UC's five medical centers were nationally ranked academic medical centers, and UCLA and UCSF were among the top ten in the nation. All UC hospitals were top-ranked in the state, with over 9,000 faculty physicians and over 10,000 nurses. UC's self-funded health plans covered over 300,000 employees, retirees, students, and faculty.

Dr. Byington shared what drove strategic planning decisions. UC Health wished to align itself to the strategic framework of the Office of the President (UCOP). UC Health set systemwide goals at a leadership retreat in December 2019. She modified the strategic plan to support these goals: to improve the health of all people in California, to promote health equity through the elimination of health disparities, and to reduce barriers to access to all of UC's clinical, education, and research programs. UC Health set aspirational goals that required the work of all parts of the health system, not just individual campuses. She and her team considered market conditions, the demographics in the state, and health disparities, which had become more obvious during the COVID-19 pandemic. She considered UC Health's role relative to its individual academic health centers, as well as its strengths, weaknesses, opportunities, and threats. She took input from many stakeholders when making the revisions to the strategic plan.

Dr. Byington presented the goals she had set for herself in her first year of leadership which had been accomplished or were nearly accomplished. UC Health has set systemwide goals and articulated its values. A systemwide diversity team developed a diversity, equity, and inclusion plan, which Dr. Byington would present at the October Health Services Committee meeting. The UC Cancer Consortium leadership would rotate among campus health centers every two years. UC Health has made progress on finalizing its policies and an implementation plan to avoid sexual violence and sexual harassment in the clinical setting. She and her team, with the help of Vice President Brown, were collecting data and drafting a report on the economic impact of UC Health on the University and the state. This report would be presented at an upcoming Health Services Committee meeting. Some goals were stymied by UC Health's COVID-19 response and hiring restrictions, but significant progress was being made. A UC-branded healthcare strategy was being developed for campuses without academic health centers, such as UC Merced and UC Santa Cruz. The California Future Health Workforce Commission was meeting in November, and Dr. Byington hoped to discuss ways that trainees and students could help meet workforce needs. Recommendations from the Health Benefits Advisory Committee and Healthcare Task Force on UC Health benefits plans would be delivered in October. UC Health was working with human resources offices to prioritize its hiring needs and begin open searches for vacant leadership positions. While not in the strategic plan, the work of the UC Health Coordinating Committee for COVID-19 has been a significant priority.

UC Health's core values—accountability, collaboration, diversity and inclusion, excellence, innovation, integrity, and being mission-driven—aligned with UCOP's core values. While UC Health was known nationally and internationally for its excellence, Dr. Byington called attention to UC Health's sense of "systemness," innovation, which was a UC Health core value that has been added to UCOP's core values, and being driven by UC's public service mission as California's public health system. UC Health's strategic objectives, like those of UCOP, had five categories: people, financial stability, operational excellence, policy and advocacy, and executing the mission. Delivering the highest-quality health sciences education, research, and clinical care was added under "executing the mission." UC Health did not currently have adequate staff or finances to fulfill its policy and advocacy objectives. Dr. Byington presented a table of how the goals were shared.

Dr. Byington presented a table of budget items supported by about $18 million in funding from the academic health centers. There was a large return on investment. UC Health had 22 full-time equivalents (FTEs) at UCOP and 28.5 at the campuses. Dr. Byington presented a table of savings and revenue returned to campuses through the Leveraging Scale for Value initiative. The Center for Data-driven Insights and Innovation support of the COVID-19 response was included in its annual report, which had been sent to Regents.

UC Health expected to launch a number of systemwide initiatives this year. A pharmacy benefit manager was being created to improve the quality of and lower the cost of the pharmaceutical supply to patients and employees. UC Health was planning to set up clinics on every campus, the proposal for which was being evaluated by the UC Student Health Insurance Plan (UC SHIP). The UC Cancer Consortium would have new leadership dedicated to research collaboration, clinical service lines, and second opinions. Dr. Byington had received the Inclusion and Diversity Task Force report and would receive a conflict of interest and commitment report in 2021.

Regent Estolano asked who would be responsible for the policy and advocacy objectives. Dr. Byington replied that she was currently responsible for these objectives and was working with Senior Vice President Holmes and her team. Half of the University's budget and work was health-related, so building a plan for legislation and advocacy was goal for this year. Regent Estolano stated that Dr. Byington was the most effective spokesperson for UC Health and hoped that she would continue to be. Dr. Byington thanked Regent Estolano and stated that this was a major responsibility of hers.

Regent Estolano asked whether the Inclusion and Diversity Task Force report included information about UC Health as a purchaser of goods and services, noting that UC Health's contracting practices could have a substantial impact on the California economy. Dr. Byington responded in the negative. This information was in UC Health's economic report and could be discussed when the latter report is released.

Regent Park asked about the delta between proposed and approved budgets. Dr. Byington replied that UC Health underwent three budget reductions. The UC Health budget was part of the UCOP budget, so funding from the health centers was part of the UCOP budget and a flat line item from the State. The entire UCOP budget had to be balanced. Regent Park asked whether it was the case that line items within the UCOP budget did not need to remain flat. Dr. Byington responded that the funds presented supported UC Health outside of State funds. The entire UC Health budget must fit within the UCOP budget. Increasing health system funding would increase the UCOP Budget.

Regent Park asked President Drake for his thoughts on how UC Health could achieve its goals, all of which seemed mission-critical and even more so during the pandemic. She praised Dr. Byington for making progress on goals with limited resources. President Drake stated that he saw both the gratifying results of previous investments and the budget cuts. He acknowledged that this was a great challenge. UC would try to make the most out of what it had. Chair Pérez suggested reaching out to the Legislature and Governor Newsom to find out whether budget constraints on UC Health were an unintended consequence of UCOP budget constraints. Perhaps one-time authorizations could be made for UC Health this budget year or a correction could be made for the following budget year.

Regent Cohen asked about the value of having UC Health's own pharmacy benefit manager. Dr. Byington replied that pharmacy costs were one of the biggest drivers of healthcare costs, and UC Health could do a better job of managing them. A pharmacy benefit manager optimized profitability for the payer, not the patient. UC Health, as a public institution, wished to manage contracts with drug companies, and the size of the health enterprise made drug companies more willing to work with it. UC Health aimed to provide lower cost and higher quality drugs to patients and employees. Drug costs made up 20 percent of costs in health plans. Regent Cohen wished discuss this at another time.

Regent Cohen, referencing the report from the Working Group on Comprehensive Access, asked whether UC Health's statewide expansion was part of this strategic plan or the next one. Dr. Byington stated that this would be in the next iteration. UC Health had some of the finest facilities and healthcare professionals in the world. She believed that UC Health had a public responsibility for all the people of California and should seek ways to deliver healthcare statewide, even where UC did not have a campus. Affiliation would be part of but not the entire strategy. UC must affiliate responsibly while maintaining its values.

Regent Lansing stated that the strategic plan was a work in progress. The Regents looked forward to President Drake's input as well. Every UC Health goal was worthwhile. The University must appeal to the Legislature and enter into partnerships and affiliations. If UC takes more ownership of its research, it should improve funding.

Regent Leib asked about UC Health's student mental health initiative. Dr. Byington stated that UC Health had presented a student health proposal to the chancellors in March that would allow more psychiatric services, long-term follow-up, and counseling and would be subject to a UC SHIP Executive Oversight Board vote in October. The goal was for the program to become self-supporting over time and greatly increase access to mental health services. Providers from across the system would be available through a telehealth network.

Regent Leib asked about the new hire at UCOP dedicated to student mental health. Dr. Byington stated that the new hire worked in Provost Brown's team. Brad Buchman, Medical Director of Student Mental Health and Counseling, was working closely with her.

Regent Sherman asked whether Dr. Byington had seen the UC Health Advisory Committee's report and if the recommendation that campuses fund their health centers directly was still a viable alternative. Dr. Byington replied that she had seen the report. The current UC Health budget was a collaborative budget funded by all the health systems but was not separate from the UCOP budget. This could be discussed. Regent Sherman stated that, in the recommendation, the health center budgets would not be subject to limitations. He asked that Dr. Byington report back to the Regents the viability of this recommendation. Executive Vice President and Chief Operating Officer Nava stated that this was the strategy employed. The UC Health Collaborative was not limited to same constraints of the UCOP budget but still was subject to campus funding. Dr. Byington, the chief executive officers, and others had discussed what levels of funding were appropriate given financial constraints.

Regent Butler asked what direction UC Health's labor policy would take, noting layoffs and contracting out at some health centers. Regents have offered their insights to UCOP. Dr. Byington replied that UC Health was very committed to its work force and wished to be recognized as one of best employers in the state and nation. UC Health wished to develop good labor relationships outside of contracting periods. Many members of the UC Health work force, unlike others, have been with UC as students who advanced to becoming faculty or staff. Dr. Byington met regularly with labor unions, took their feedback to leadership, and made changes. There should be more partnered decision-making.

5. 2020 UC ACCOUNTABILITY REPORT: HIGHLIGHTS AND UC 2030 UPDATES

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

Vice President Brown reported that, to date, UC has produced about 24 percent of the 1.2 million new degrees projected in the UC 2030 goals. UC was on track to achieve this goal, but the COVID-19 pandemic could affect enrollment and graduation rates. The University had much work to do to improve timely graduation and close gaps for Pell Grant recipient, underrepresented, and first-generation (new generation) students. UC Riverside was working to improve retention rates and support academic probation. UCLA was offering additional advising, mentorship, and support to improve the sense of belonging to new generation students. Improving timely graduation helps advance affordability and increases likelihood of pursuing a graduate degree, which improves students' economic mobility and helps UC diversify professions that require a graduate degree. Undergraduate research at UC Merced increased the likelihood that students pursue a doctorate degree. The percentage of bachelor degree recipients from UC Merced and UC Riverside, two of the most diverse UC campuses, who pursued a doctorate degree exceeded the systemwide average. These students would diversify the graduate student population and UC's availability pool of future faculty. There was a decline in first-year retention rates, especially among new generation students. In Ms. Brown's view, campuses' retention and academic preparation efforts were more important than ever during the pandemic. Last year, UC added nearly 200 faculty members toward its goal of 1,100 ladder-rank faculty, but COVID-19–related financial constraints might limit hiring to replacement over the next few years. UC was trying to improve retention of underrepresented and female faculty. Despite funding challenges, these goals remained critical.

Chair Pérez noted how far the University was from achieving its faculty diversity goal. He rejected the notion of an availability pool as a limiting factor. It should at most be the lower limit, not a target or the upper limit. Ms. Brown expressed agreement. Provost Brown had spoken to UC leadership about developing UC's own diverse pool of potential future faculty. Provost Brown stated that there remained a generational opportunity to maintain pace or exceed replacement rates in order to diversify the professoriate more quickly.

Regent Park, referencing the Faculty Retention and Exit Survey administered by the Harvard Graduate School of Education, asked about retention and if there was any salary differential between faculty of color and white faculty. Vice Provost Susan Carlson replied that one of most notable findings in the study was that many faculty test the market in an attempt to increase their salary and often take those offers elsewhere. UC had conducted salary equity studies in the past and did not have broad salary inequity by race or gender. Regent Park suggested conducting this survey periodically to learn more about salaries as an impetus for leaving. Ms. Carlson stated that this would be an annual survey.

Regent Park asked about the survey's report of dissatisfaction with retention efforts. Ms. Carlson replied that UC chose this study in order to obtain feedback from faculty themselves. Administrators might perceive their actions as equitable, but this survey captured dissatisfaction. Mr. Brown added that faculty were attracted to UC for a number of reasons, such as a particular department, the quality of students, and research support. Challenges included housing and housing support. Faculty members have tested the market at one campus because of housing issues. Ms. Carlson stated that some faculty stay because of their salary.

Regent Park asked for a detailed analysis of the cost tradeoffs of distance learning and a determination of whether some portion of money meant for building new buildings could instead be used for pedagogical innovation. In her view, if a portion of the money that UC spent on building new buildings went to pedagogical innovation and infrastructure, UC would have the most powerful undergraduate education in the U.S. Chair Pérez offered to work with President Drake and Mr. Brown on the structure of that conversation. He agreed that the limit of the University's growth and innovation should not be measured by its physical infrastructure.

Regent Muwwakkil asked how many of the 200 added faculty were UC alumni. Ms. Brown responded that she would provide the Regents with that information. Ms. Carlson stated that about 25 percent of ladder-rank hires earned their Ph.D.s at UC, but she was not sure about other UC degrees. Mr. Brown added that UC was developing the professoriate for the California State University, the California Community Colleges, and colleges and universities nationwide. There was an opportunity to diversify the professoriate widely.

Regent Muwwakkil asked how faculty of color were engaged in retention efforts. Ms. Carlson replied that this was managed by a department chair or dean of a school or college, who sometimes were dealing with universities across the country and world. Within UC, there were fairly strict guidelines for recruiting faculty from one campus to another. President Drake added that this was done at the department level. A higher-profile retention would go to the dean or someone higher in the administration. Faculty received recruitment offers routinely while departments faced constrained resources. Chair Pérez noted an issue of whether a department was supportive of a faculty member's advancement. The process should be holistic, so that disparate outcomes should alert department and campus leadership.

Regent Ortiz Oakley echoed Chair Pérez's concern about availability pools, particularly because professional schools must link the increase of their Professional Degree Supplemental Tuition to increased faculty diversity. He echoed Regent Park's call for pedagogical innovations. He asked who at UC guided new generation students through the graduate school application process. Mr. Brown replied that graduate deans met regularly to discuss these issues. Mentoring relationships were critical to students' personal and professional development. The Accountability Report had the support of graduate school deans, graduate students, the Academic Senate, and executive vice chancellors.

In response to a comment by Regent Ortiz Oakley, Ms. Brown noted that UC Berkeley Professor David Kirp coined the term "new generation." According to UC Undergraduate Experience Survey (UCUES) data, students who planned to attend graduate school were more likely to attend graduate school. She and her team had been tasked to partner with graduate staff to brainstorm how UC could develop its own professoriate. Mr. Brown highlighted UC Merced's success because of its research opportunities. Regent Ortiz Oakley underscored the importance of providing the same support to transfer students pursuing graduate school. The transition to UC was difficult, and they had a shorter period of time on campus.

Regent Ortiz Oakley asked how UC would track the impacts of the COVID-19 pandemic. Ms. Brown replied that she and her team were thinking through it. UC must track this over multiple years. High school and community college students entering UC would be affected as well. Immediate indicators being tracked were courses taken, units completed, and first-year retention. Some campuses were considering when prerequisites were taken.

Regent Ortiz Oakley, noting the reward for improvement for the Chief Investment Officer, suggested linking chancellor and senior leadership performance requirements to the Accountability Report. For instance, the University has struggled to determine who was responsible for the challenges that UCPath has faced.

6. REVIEW OF 2009 BUDGET ACTIONS

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

President Drake introduced the presentation by stating that, from March through August, the University incurred $2.16 billion in lost revenues and new costs. Federal stimulus money was not sufficient to make UC whole, and the budget shortfall was exacerbated by uncertainty. State support depended on how much California would receive in additional federal stimulus, but Congress has not yet acted. The Regents, campus leaders, and the Office of the President (UCOP) were determining how to address this budget gap while minimizing the impact on students, faculty, and staff, particularly the most vulnerable. This was a discussion of past actions, not necessarily imminent ones.

Executive Vice President and Chief Financial Officer Brostrom stated that, during the Great Recession, UC lost over $1 billion in State support and saw dramatic declines in the capital markets, which led to decline in pension funding. The medical centers were strong, enrollment grew significantly, and the federal government increased research funding. This year, the pandemic has affected every UC revenue stream—State support, enrollment, medical centers and auxiliaries, and federal funding. The tenure of the crisis varied by fund source and recovery. Medical centers and auxiliaries would recover quickly, but UC faced long-term structural challenges in retiree health, pension, and capital funding. In 2009, the Regents approved an extraordinary payout on funds functioning as endowments and true endowments, but this had a limited impact. UC drew from health benefit stabilization reserves. In August 2008, the Total Return Investment Pool (TRIP) was launched. It lost money in its first three months but was now a huge success for campuses, outperforming the Short Term Investment Pool (STIP) by 4.5 percent. Currently, UC must maintain sufficient liquidity due to uncertainty. UC maximized its endowment cost recovery, increased nonresident student enrollment to the 18 percent limit, and raised tuition, coupled with increases in financial aid.

Associate Vice President David Alcocer stated that, in 2009, UC implemented a five percent salary reduction for selected senior managers, a systemwide hiring freeze and deferrals, and adopted a temporary furlough program. For four out of five years, UC refrained from merit increases or range adjustments for policy-covered staff and faculty, which saved significant funds. This led to a larger competitive faculty salary gap between UC and comparator institutions. The Working Smarter initiative was launched, which included energy conservation and strategic sourcing measures, many of which were still in place. Authority was delegated to campuses to start voluntary separation programs. In addition to layoffs, from fiscal years 2008–9 to 2011–12, 3,000 positions were eliminated systemwide.

A key feature of the 2009 furlough program was its progressiveness by design. Employees were required to take a certain number of unpaid days off. The Regents approved a change to the UC Retirement Plan document so that the furlough program did not affect service credit accrual. UC sought equivalencies for certain faculty and medical center employees because it would be challenging to mandate days off, and the program did not affect student employees. Faculty were directed not take days off during days of instruction. A Regents' Standing Order was amended such that this kind of action could only be adopted if the Board approved a declaration of extreme financial emergency.

The pandemic appeared to have no impact on resident undergraduate enrollment and there was no change in retention at the graduate student level at those campuses that had already begun instruction. UC Berkeley had about 550 fewer continuing nonresident students. A graduate program catering to international students also saw less enrollment. Preliminary data suggested that there was not a seismic shift in student enrollment. UC would know more about State funding by November, after the October 15 federal stimulus deadline. If needed, a comprehensive package would be presented to the Board in November.

Regent Makarechian suggested taking an inventory of all UC debt that could be refinanced and presenting it at the next meeting. The University might be able to defer principal payments for the next several years. He asked whether Regents Policy 2109: Policy on Nonresident Student Enrollment should be lifted temporarily for the next few years. Mr. Brostrom replied that UC has been trying to refinance its debt, but the tax bill that President Trump signed did not allow advance refunding. With advance refunding, UC could have refinanced $5 billion dollars of debt and saved $800 million. UC planned to use a forward starting interest rate swap for Jacobs Medical Center at UCSD Health, which could yield over 50 percent in savings. UC had an open Committee on Uniform Securities Identification Procedures (CUSIP) number and could borrow more in the spring. The Legislature would watch any changes to Regents Policy 2109 very closely. Increasing nonresident student enrollment would generate much revenue but would have far-reaching impact. Regent Makarechian asked how much could still be raised from CUSIP. Mr. Brostrom stated that UC still had a debt capacity $5 billion or $6 billion, some of which he wished to save for projects and refinancing. If the pandemic lasted through next summer or the following year, UC would consider borrowing more.

Regent Park asked if increasing endowment cost recovery would not be a substantial intervention. Mr. Brostrom responded in the affirmative. UC has already hit its limit in endowment cost recovery.

Regent Park asked if changing nonresident student enrollment, while substantial, would create issues with the Legislature and not have an equitable impact on campuses. Mr. Brostrom responded in the affirmative. Demand by nonresident students was much higher at some campuses than at others.

Regent Park remarked that a tuition increase, while also substantial, would be difficult to implement, and many Board members would be opposed to it. She asked whether UC had hit its limit in Working Smarter initiatives. Mr. Brostrom replied that UC could achieve more savings and that these efforts were well under way. Since UC began systemwide procurement in 2009–10, UC has achieved over $400 million in savings. UC would look into its supply change management next, which could yield hundreds of millions of dollars in savings over time. UC Health could do much to leverage scale for value. Every campus could use distributed energy to achieve savings and also help UC reach its climate goals. UC could work more closely with the California State University and the California Community Colleges on administrative efficiencies.

Regent Park asked if UCOP had the capacity to expand these initiatives. Mr. Brostrom replied that it could be done with outside support. He would work with President Drake to determine how UC could achieve returns and present that data to the Regents and the Legislature to justify some relaxation of UCOP budget constraints.

Regent Park asked whether there would be a set of recommendations on specific actions at the next meeting. Mr. Brostrom responded in the affirmative. UC would know more about the situation at the medical centers, the fall census, dormitory occupancy, and the federal stimulus. Regent Park asked whether stakeholder input would be shared with the Regents. Mr. Brostrom replied in the affirmative.

Regent Reilly asked whether UC's real estate portfolio had any revenue-generating opportunities. Mr. Brostrom stated that UC made a number of strategic acquisitions in 2009–10. UCI Medical Center was leasing a building it bought, which would yield savings. Aside from buying real estate, campuses could execute ground leases on excess real estate for housing development and obtain ground lease payments as well as additional housing. Most campuses were considering those types of opportunities.

Regent Leib asked about what was done with the stress tests that Regent Makarechian requested. Mr. Brostrom stated that the stress tests have been incorporated into the capital projects that have been presented. UC knew the one-time impact of the pandemic, but the impact of structural changes was unknown. He suggested that campuses present their plans once more was known about the State budget. The pandemic's impact on campuses varied widely.

Staff Advisor Jeffrey called for a broad set of interventions and asked that the chancellors exercise flexibility. She asked about the economic benefits of the previous furlough program. Many policy-covered staff were in the same salary bands as represented staff, making $60,000 to $70,000. Few people at UC had significant salaries. There were 70,000 to 80,000 employees with frozen salaries who would be subject to furloughs. UC Berkeley was struggling to make reductions. A furlough program could maintain more of the work force without having to recruit a new work force after a crisis passes. She expressed her hope that these considerations would be included in the analysis that is presented in November. Mr. Alcocer stated that, at the time of the last furlough program, UC saved over $230 million, with core funds representing about $140 million of the total. Interim Vice President Lloyd stated that UC was gathering information on how staff and unions were affected in the last furlough program to better inform the UC community as decisions are made. Her role as Interim Vice President of Systemwide Human Resources was informed by her role as Chief Risk Officer. The chancellors were dedicated to preserving jobs and benefits. UC must be creative because of unprecedented circumstances.

Regent Estolano echoed Ms. Jeffrey's equity concerns. She expressed her hope that President Drake would present the principles guiding his decision in November. She had been inundated with emails from employees concerned about layoffs and furloughs. These must be last resort. As third largest employer in the state, UC must know the role it plays in economic recovery or exacerbation of a recession. UC must communicate to the

Legislature that these were difficult cuts. She cited UC Health budget constraints as an example. Implementing UC Health's strategic plan would improve health care during a pandemic. Regent Estolano warned against blanket cuts. She advised against selling real estate as UC would be giving up land, and she suggested buying or leasing instead. She expressed support for working with the other two segments of California higher education to improve efficiencies.

Chair Pérez remarked that the University should frame its actions as bridging a gap. UC must differentiate immediate cash flow impacts from structural impacts. He appreciated UC's attempt to avoid harm by opting not to lay off employees early in the pandemic and leveraging the liquidity in its investments. UC should take advantage of all available tools to bridge the gap over multiple years. Even if UC does not benefit from efficiencies quickly, they would still be part of bridging that gap. He agreed with Regent Estolano regarding real estate; the University should not give up a long-term asset for a short-term benefit. He recalled that the State furlough program and contract reduction did not result in the savings that were proposed. The furlough might have reduced a worker's hours, but it also necessitated overtime for someone else. UC needed to be clear about its expectation of savings and realization of savings. Chair Pérez believed that UC should be more progressive than it was during the Great Recession. It was unrealistic to think that someone with an annual salary of $60,000 or less could absorb a four percent reduction in pay. In his view, the worst possible outcome would be involuntary reduction in employment, followed by involuntary reduction in hours. UC must guard against the first and limit the second. He suggested incentivizing retirement with credits. He wanted represented and policy-covered staff to know that the University was doing everything it could to avoid impact on its work force and wished to protect the most vulnerable employees. From now until November, the UC work force would be under much stress, worrying about what would happen.

President Drake underscored the University's commitment to protecting the excellence of the institution and its students, patients, and staff.

7. PROPOSITION 209: PRIMER ON UC HISTORY AND IMPACTS

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

President Drake briefly introduced the item. In June, the Board endorsed Assembly Constitutional Amendment 5, which would appear as Proposition 16 on the California ballot in November. Proposition 16 would repeal Proposition 209, which passed in 1996 and prohibited preferential treatment on the basis of race, sex, color, ethnicity, or national origin in admissions, employment, and contracting. Prior to the passage of Proposition 209, the University adopted two resolutions, SP-1 and SP-2, that prohibited preferential treatment in admissions, employment, and contracting on the same bases. Several years, later, UC rescinded those resolutions. When President Drake served as Associate Dean for Admissions at UCSF 26 years ago, the UCSF School of Medicine was the most selective school while also being the most diverse in the country. Subsequent research indicated that diversity led to better outcomes. He presented those data to the Regents at the time. UC was now seen as a national model for diversity. There was still tremendous opportunity for diversity in UC procurement and contracting. Long after the vote on Proposition 16, UC must create a space for robust dialogue on these issues.

Provost Brown stated that Proposition 209 eliminated tools that UC used to achieve institutional diversity. This was a discussion of what UC could do or do better should Proposition 16 pass, with a focus on leadership, supplier, and contractor diversity. UC had a direct role in contributing to regional and statewide economies through technology transfer, talent development, and the small businesses UC supports. UC could lower its cost structure while diversifying the ecosystem of businesses throughout the state.

Interim Vice President Lloyd stated that data on staff diversity prior to the passage of Proposition 209 was not available, but ten years of available data on staff groups demonstrated the slow progress for some staff of color over time. Diversifying UC leadership required intention and focused action. Even if Proposition 16 did not pass, UC could leverage specific strategies, including a staff equity advisor program to ensure diverse candidate pools when hiring Management and Senior Professionals (MSP) and Senior Management Group (SMG) employees; mentorship programs to build leadership pipelines; holding leaders accountable for improving diversity using incentives and merit adjustments. Enhancing the makeup of UC leadership was one way to signal to potential students, faculty, and staff that UC was committed to reflecting the communities it served.

Associate Vice President and Chief Procurement Officer William Cooper stated that 99.8 percent of California businesses were small and employed 48.8 percent of the private work force. Approximately 68 percent of what was spent at a small business stayed in the state. Prior to the passage of Proposition 209, race and gender inequalities in business opportunities could be addressed using preferences, discounts, and set-asides, which could be used once again if Proposition 209 was repealed. Race- and gender-specific problem could not be solved by neutral means. Small and diverse business communities have been decimated by the COVID-19 pandemic. From February to April, 41 percent of African American–owned businesses, 32 of Latino(a)-owned businesses, and 26 percent of Asian-owned businesses had closed permanently. On September 1, UC Procurement implemented a small business set-aside program, which required that all purchases and contracts between $10,000 and $250,000 be awarded to a certified small or disabled veteran business enterprise. This would not take effect until March 2021 in order to give campuses time to incorporate these requirements in light of the COVID-19 challenges they faced. UC Procurement hoped to increase UC's use of small, minority, and women-owned businesses regardless of the passage of Proposition 16.

Interim Executive Director Lauren Friedman stated that UC's ability to track participation was incomplete because reporting is voluntary, and UC's focus was limited by State law. UC must provide the awareness, tools, and training to improve the diversity of potential proposers and bidders. With over $1.8 billion in design and construction projects in 2018–19 alone, UC must expand access to the opportunities that these projects present through improved networking and training for the design and construction community. Often, small businesses did not have the same experience with prequalification, request for qualification, proposal, or bidding that a larger firm might have. The passage of Proposition 16 would allow more focused outreach. As an architect who has benefitted from affirmative action, Ms. Friedman could attest to the way improving diversity can change perceptions and open closed doors.

Regent Kounalakis underscored the conflict between UC's highest goals of inclusion and compliance with Proposition 209. She had campaigned against it early in her career. UC has had to work around a law that prevented it from being inclusive. According to the Public Policy Institute of California poll, people still had the impression that affirmative action was unfair. She called on the UC community to advocate for Proposition 16, whose effect on the legal structure of the state was mission-critical.

Regent Lansing stated that a recent poll showed that only 31 percent of Californians supported Proposition 16 and 47 percent were opposed. She believed that people did not understand the proposition.

Regent Ortiz Oakley stated that UC needed to communicate how passage would improve access to all Californians, not taking access away. The state benefits from all Californians' equal participation in UC and society. The University should be prepared to improve its diversity regardless of what happens. Proposition 16 would not be a panacea. For instance, there was an opportunity to work with women- or minority-owned start-up technology companies in order to diversify the technology pipeline.

Regent Muwwakkil stated that racist policies could be fixed with colorblind or race-neutral approaches. He commended UC's efforts, but the University was hamstrung. He asked what additional revenue streams, such as alumni giving or State allocation, could be available if Proposition 209 was repealed. Mr. Brown stated that there were philanthropic entities across the U.S. who were able to target issues that could only be addressed obliquely and indirectly in California. President Drake stated that, in his experience, affirmative action's biggest impact was in contracting and business opportunities. UC has used a holistic approach to reach students but had to be creative with outreach.

Staff Advisor Jeffrey shared that UC has conducted more implicit bias training prior to recruitment for MSP leadership positions. There were several leadership programs for staff of color that need to be grown. She suggested that promotion of diversity be more nuanced than bureaucratic. For instance, requiring an internal recruitment process first might be counterproductive. Given the number of faculty supervisors and managers, academic staff should also promote diversity. There has not been a robust development program for managers, so coaching for managers would also be helpful.

Regent Anguiano stated that UC's staff pipeline diminished at the MSP and SMG levels. There was still much that UC could do to improve diversity of leadership regardless of whether Proposition 16 passed. The Academic and Student Affairs Committee had a discussion on the effectiveness of outreach programs, but they were operating with significantly smaller budgets.

Regent Leib asked about the history of Student Academic Preparation and Educational Partnerships (SAPEP) funding, which decreased by 50 percent. Mr. Brown stated that, while he had not been able to grow these outreach programs, he did protect them from reductions. He and the chancellors did still wish to grow these, through either private philanthropy or development activity. Vice President Gullatt added that, after Proposition 209 passed, UC received about $85 million to continue existing programs and build a new apparatus to better engage with K–12 schools. Funding has declined since 2003 to about $24 million, or $250 per student annually. Extraordinary work was being done, but capacity did not meet demand. The state's population was growing, and students were moving to more suburban areas and becoming more difficult to reach. Chair Pérez added that the $85 million allocation came from negotiations between then Assembly Speaker Antonio Villaraigosa and then Governor Pete Wilson. He suggested working with ex officio members of the Board to regain some of the funding. Regent Leib expressed his wish to address this during the next budget process.

Regent Stegura shared that, anecdotally, diverse constituent groups of alumni seemed energized by the possible passage of Proposition 16. Alumni were growing more diverse. Regardless of whether Proposition 16 passed, UC must be responsive to the needs of alumni. At UC Davis, alumni volunteers received implicit bias training.

Regent Estolano stated that the passage of Proposition 16 might make more efficient UC's attempts to reach African American students, many of whom had migrated to suburban areas. She underscored the importance of considering wealth instead of income for determining financial aid, given the wealth disparities that could be traced to the legacy of slavery and institutional and structural racism. UC must hold senior managers accountable for creating a work force and hiring managers that reflect the diversity of the state. Regent Estolano stated that the small, minority-owned business statistics presented by Mr. Cooper were far worse than she anticipated. She was eager to support the University's efforts in this regard, suggesting that UC should model its contracting practices on successful programs, like the one at Los Angeles County Metropolitan Transportation (LA Metro). Mr. Cooper replied that UC was modeling itself after LA Metro's small business set-aside program, as well as the program at the State Department of General Services.

Regent Butler, referring to the written materials, asked what happened to the $11 million in financial aid that was held in 2001. Executive Director of Student Financial Aid Shawn Brick replied that UC still had this $11 million, which was now an endowment meant to target characteristics prohibited by Proposition 209 but administered in a way that was not preferential to individual students. Students qualified for this aid for other reasons. Chair Pérez asked whether that was not the intended use of these endowed funds given Proposition 209 constraints. Mr. Brick responded in the affirmative. Donors wished to target their donations, and fundraisers had to explain the constraints.

Regent-designate Lott stated that, at a minimum, the passage of Proposition 16 would make awarding financial aid easier. Alumni fundraising volunteers and donors were reporting that Proposition 209 created an impediment to giving, especially to student support. She shared that the Early Academic Outreach Program provided her with a pathway to graduate school. She later helped high school students become UC-eligible. The need for these programs would persist regardless of the outcome of the election.

8. **ADOPTION OF REGENTS POLICY PROHIBITING USE OF QUOTAS AND CAPS IN PUBLIC CONTRACTING, EMPLOYMENT AND ADMISSIONS**

The President of the University recommended that the Regents adopt Regents Policy Prohibiting Use of Quotas and Caps in University Contracting, Employment and Admissions as shown in Attachment 1.

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

General Counsel Robinson stated that, if approved, this policy would clarify UC's position in these areas regardless of any change in the law, including the possible rescission of Proposition 209. Under State law, UC was currently barred from using any racial or gender preferences in admissions, employment, or contracting. If Proposition 209 were rescinded, UC would still be subject to federal law, whereby race-based quotas have been struck down by the courts. He did not believe that adoption of this policy would have any material effect on caps and quotas. Some federal appellate courts, including the Ninth Circuit Court, have applied the intermediate level of scrutiny for gender-based preferences. In Mr. Robinson's view, it was possible, though unlikely, that certain gender-based caps or quotas would be upheld if Proposition 209 was rescinded. The policy presented would apply a consistent standard to both race-based and gender-based caps and quotas.

Chair Pérez stated that the proposed policy would make clear that UC does not engage in race-based quotas and caps.

Upon motion duly made and seconded, the recommendation of the President was approved, Regents Anguiano, Butler, Cohen, Drake, Estolano, Guber, Kieffer, Lansing, Leib, Makarechian, Mart, Muwwakkil, Ortiz Oakley, Park, Pérez, Reilly, Sherman, Stegura, Sures, and Zettel voting "aye."

9. **AUTHORIZATION TO JOIN MULTI-UNIVERSITY MEMBER LLC TO FACILITATE LICENSING OF UNIVERSITY PATENT ASSETS**

The President of the University recommended that the Board of Regents approve the following[2]:

A. Approve the University of California's participation as a member, on behalf of each of its Berkeley and Los Angeles campuses which will be separate and unique members, in a new limited liability company (LLC), which will:

[2] Board of Regents approval is contingent on the positive outcome of the business review by the Department of Justice's Antitrust Division.

(1) Consist of a membership comprised of a number (currently approximately 15 in total, including each of UC Berkeley and UCLA as unique voting members) of nonprofit and/or governmental entities, each of which will contribute self-selected patent assets, as well as potentially non-patentable subject matter, (collectively, "Contributed IP Assets") to the LLC through a license agreement;

(2) Offer industry access, via a single sublicense, to a vast array of exciting and potentially transformative intellectual property (IP) assets, including Contributed IP Assets from each of UC Berkeley and UCLA, with the goal of accelerating innovation and facilitating commercialization by attracting commercial investment in technologies that have not otherwise been successfully licensed via a bilateral "one patent, one license" transaction by either of UC Berkeley or UCLA;

(3) Take a variety of steps to ensure its licensing practices with respect to the Contributed IP Assets remain consistent with the mission and policies of UC, as well as the principles established by the Federal Bayh-Dole Act, such as translating research into useful products and services for societal benefit, encouraging adoption via startups and small businesses, utilizing an "added-value" licensing strategy, and facilitating ongoing research and consulting collaborations with faculty;

(4) Be represented primarily by a law firm retained by the LLC to handle the licensing agreements of the Contributed IP Assets as well as any litigation that may arise, provided each member of the LLC retains sole discretion over whether any of its contributed assets are included in litigation;

(5) Work with a litigation finance firm (via a contractual relationship with the LLC) to provide capital and advisory services related to evaluating the expected economic benefits or costs of pursuing licensing, disputes, litigation and arbitration, and the strength and weaknesses of claims, in relation to Contributed IP Assets; and

(6) Unless otherwise approved by requisite vote of the LLC members, be prohibited from, among other things, admitting new members, incurring debt in excess of $1 million, using LLC funds to extend credit or make loans (other than any intercompany loans), or transferring or selling the Contributed IP Assets to third parties, thus providing the members with certain control over the Contributed IP Assets which can be an additional guard against "patent trolling" activity.

B. Authorize the President to approve the subsequent participation of other UC campuses in the LLC, subject to UC campus interest and acceptance of any such campus by requisite approval of the members of the LLC.

C. Authorize the President, which authority (subject to the terms hereof) may be further delegated to the Chancellors of UCLA, UC Berkeley and any other UC campuses that subsequently participate in the LLC, after consultation with the Office of the General Counsel and the Office of Research and Innovation, to approve and execute: (i) any documents reasonably required to accomplish the above; and (ii) any modifications, addenda, or amendments (collectively, “amendments”) thereto; provided such amendments or other documents are materially consistent with the terms and conditions set forth above; provided, further, that the President is solely authorized to make any appointments on behalf of the UC and any of its campuses to the board of the LLC; and, provided further, UC Berkeley, and UCLA and any other UC campuses that subsequently participate in the LLC are not authorized to directly contribute any UC Berkeley, UCLA 0r any other UC campus funds towards the operations of LLC (other than those generated by the LLC and applied towards operations in accordance with the LLC Agreement).[3]

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

Provost Brown stated that 500 to 600 patents were granted to UC each year. These inventions need further development and investment in order to realize their contributions to society and the economy. Bringing this intellectual property (IP) to developers and investors, who were outside of the University, was a significant challenge. This proposal would make it easier for investor and inventor to find each other.

Vice President Maldonado used the example of solar panels to illustrate UC’s challenges. The technology of one solar cell involved multiple patents held by different inventors. Licensing a university’s IP to industry, government, or a start-up company was challenging. A single license agreement is negotiated for a single patent, and each agreement takes considerable time, effort, and money to negotiate and execute. Technology also advances quickly, and a potential licensee may walk away. To address these challenges, UC Berkeley and UCLA sought to join a new nonprofit multi-university limited liability company (LLC) that would have an innovative strategy for licensing and monetizing discoveries.

UC Berkeley Assistant Vice Chancellor Carol Mimura stated that UC Berkeley and UCLA would be joining 13 other research institutions; all would be nonprofit institutions. Universities would license patents to the LLC, which would create patent portfolios and offer commercial sublicenses. Licensees could decide whether to sublicense all the patents in a portfolio or a portion of them. Revenue generated by the sublicense would be paid to

[3] Any initial participation in the LLC will be solely through UC Berkeley and UCLA. As such, this Regents Action Item is drafted from the perspective of participation by those two campuses, even though delegation of authority to the President to allow other UC campuses to potentially participate in the LLC in the future is being sought from The Regents. Acceptance of other campuses as participating members of the LLC would require support of the Chancellor and, as applicable, Vice Chancellor of as well as approval of two-thirds of the members of the LLC. There are no assurances that any such LLC member approval will be obtainable.

the LLC and distributed to the LLC members according their participation. The required documents had been carefully crafted and reviewed by the Office of the General Counsel and the 13 other prospective members of the LLC. Participating in the LLC would yield benefits aside from revenue, including operating at an industry-university interface, and demonstrating UC's willingness to try creative, new approaches.

Regent Lansing expressed her support. She had advocated for this for more than 20 years. UC has missed tremendous opportunities by not controlling and investing in its own IP.

Regent Anguiano also expressed her support. She asked how revenue would be distributed, who would manage the LLC, and why neither UC Berkeley nor UCLA would be on the LLC board. Ms. Mimura replied that 15 percent of revenues would be distributed to all university participants; 20 percent to universities who contributed patents to the relevant pool; 45 percent to universities whose patents generated revenue across all royalty-bearing licenses; and eight percent to universities who approve litigation. UC could not pre-approve litigation; the Regents would decide whether to join as a necessary party in an infringement suit. Twelve percent of revenues would be held in reserve for legal and other expenses. A law firm retained by the LLC would engage in the licensing process. It remained to be determined whether UC Berkeley or UCLA could participate in the rotating board due to conflict of interest laws.

Regent Park remarked that, even if the LLC did not yield expected revenues, there would much value in participating in it. She invited the presenters to return to the Regents with an update on the program in the future.

Regent Leib shared that he and Regents Muwwakkil, Park, and Estolano were members of the Regents Working Group on Innovation Transfer and Entrepreneurialism, and they have met with Chancellors Block and Khosla. The Working Group has learned much about the proposed LLC, which presented a very exciting opportunity to UC.

Regent Ortiz Oakley asked what UC Berkeley and UCLA's share of patents in the proposed LLC would be. Ms. Mimura replied that the LLC was meant to provide UC with an opportunity to license its previously unlicensed patents and to sublicense patents in new markets. There were about 15 patent families that would be licensed through the LLC in the areas of autonomous vehicles and conductivity. UC Berkeley would have more to contribute when the battery portfolio was created. Over 1,400 companies sponsored research at UC Berkeley and had the first right to obtain an exclusive license. UC Berkeley did not have many unmarketed IP rights and had a very small patent budget. Another benefit of being in the LLC was that UC could ask the LLC to pay maintenance fees for a patent and bundle it with other patents to be licensed, preventing the patent from being abandoned.

Regent Ortiz Oakley asked partnerships with graduate schools of management, which were supporting venture funding. Ms. Mimura stated that other campuses could join with a two-thirds vote of the LLC. UC Berkeley and UCLA spent four years establishing a model that protects their interests and addressed issues they had encountered with unsuccessful pools.

Campus-facing and internal funds were being enlisted to help UC make better returns on equity taken from start-up agreements and equity from companies in exchange for access to UC facilities and services. Regent Ortiz Oakley stated that students were creating venture funds and investing in start-ups and that UC should support them as well. UCLA Associate Vice Chancellor Amir Naiberg added that UC Berkeley and UCLA would be more likely to seek to join the LLC board as their share of patents increased.

Regent Kieffer expressed concern that the LLC would be presented with IP after the campuses exhausted their own efforts. He asked about other campuses' interest in the LLC. Ms. Mimura stated that, in putting patents together to make them more licensable, the LLC could create a synergistic effect. Other UC campuses were not involved in the formation of the LLC because it was by invitation only and has been a confidential process.

Regent Mart asked if there was a mechanism for withdrawal from the LLC. Ms. Mimura replied that there was a decision point three years after launch to evaluate success and whether to withdraw. There was a theoretical possibility of seeking earlier withdrawal. With regard to other institutions joining, the LLC might search for the IP of a missing component from existing patents and ask the university or researcher to join.

Regent Stegura noted that President Drake could authorize other campuses to join. Every campus had a similar IP effort. There were opportunities for graduate student research to come to market; hopefully, UC could create pipelines that would keep these students on campus. Campus foundations were increasingly investing in campus start-up companies and incubator projects, which presented another possible revenue source. She supported the proposal. Ms. Mimura stated that IP licensing to a company often results in other relationships with that company over time, such as hiring consultants, sponsoring research, and donating equipment.

Regent Sherman suggested that the presenters coordinate with the Office of the Chief Investment Officer as there were venture capital companies specifically set up to invest in UC intellectual property.

Upon motion duly made and seconded, the recommendation of the President was approved, Regents Anguiano, Butler, Cohen, Drake, Elliott, Estolano, Guber, Kieffer, Lansing, Leib, Makarechian, Mart, Muwwakkil, Ortiz Oakley, Park, Pérez, Reilly, Sherman, Stegura, Sures, and Zettel voting "aye."

The Board recessed at 2:00 p.m.

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The Board reconvened at 2:05 p.m. with Chair Pérez presiding.

Members present: Regents Anguiano, Butler, Cohen, Drake, Elliott, Estolano, Guber, Kieffer, Lansing, Leib, Makarechian, Mart, Muwwakkil, Ortiz Oakley, Park, Pérez, Reilly, Sherman, Stegura, Sures, and Zettel

In attendance: Regents-designate Lott, Torres, and Zaragoza, Faculty Representatives Gauvain and Horwitz, Secretary and Chief of Staff Shaw, General Counsel Robinson, Provost Brown, Executive Vice President and Chief Financial Officer Brostrom, Executive Vice President Byington, Executive Vice President and Chief Operating Officer Nava, Chancellors Block, Christ, Gillman, Hawgood, Khosla, Larive, May, Muñoz, Wilcox, and Yang, and Recording Secretary Li

10. COMMITTEE REPORTS INCLUDING APPROVAL OF RECOMMENDATIONS FROM COMMITTEES

Chair Pérez stated that Chairs of Committees and Special Committees that met the prior day and off-cycle would deliver reports on recommended actions and items discussed, providing an opportunity for Regents who did not attend a particular meeting to ask questions.

Report of the Academic and Student Affairs Committee

The Committee presented the following from its meeting of September 16, 2020:

A. ***Planning and Evaluation of COVID-19 Academic and Student Impacts***

Regent Anguiano stated that topics ranging from instructional experience to student mental health were discussed. A greater number of new generation students were concerned about the possible effect of COVID-19 on their ability to pay bills, meet basic needs, and access healthcare. They also reported a lower likelihood of internet access and having an appropriate study space. UC Irvine Dean Richard Arum presented the UCI Next Generation Undergraduate Success Measurement Project.

B. ***University of California Student Academic Preparation Strategies***

Regent Anguiano reported on the discussion of the critical role of outreach for improving student diversity, the need to seek additional funding, philanthropic opportunities, and how the UC budget could provide additional support. Sixty percent of California public school 12th grade students were from underrepresented groups and made up 40 percent of UC. Fewer than half of California public school students completed A–G courses.

C. ***UC Scout: Online A-G Courses to Support Student Academic Preparation***

Regent Anguiano reported that the Regents supported expanding UC Scout, which has experienced a 200 percent surge in enrollment since the beginning of the COVID-19 pandemic.

D. ***Update on Undergraduate Admissions Test Feasibility Study***

Regent Anguiano stated that Provost Brown provided the timeline for the steering committee and work group. A recommendation would be presented to President Drake in December and a report to the Regents in January. A website tracking the progress of the feasibility study was being updated regularly.

Report of the Compliance and Audit Committee

The Committee presented the following from its meeting of September 16, 2020:

Amendment of Internal Audit Charter

The Committee recommended that the Internal Audit Charter be amended as shown in Attachment 2.

Regent Elliott reported that the amended language in the Internal Audit Charter underscored the consultation that the Senior Vice President – Chief Compliance and Audit Officer would engage in with the Chair and Vice Chair of the Compliance and Audit Committee on compliance and audit activities.

Upon motion of Regent Elliott, duly seconded, the recommendation of the Compliance and Audit Committee was approved, Regents Anguiano, Butler, Cohen, Drake, Elliott, Estolano, Guber, Kieffer, Lansing, Leib, Makarechian, Mart, Muwwakkil, Ortiz Oakley, Park, Pérez, Reilly, Sherman, Stegura, Sures, and Zettel voting "aye."

Report of the Finance and Capital Strategies Committee

The Committee presented the following from its meeting of September 16–17, 2020:

A. ***Consent Agenda:***

(1) ***Preliminary Plans Funding, Irvine Campus Medical Complex, Irvine Campus***

The Committee recommended that the 2020–21 Budget for Capital Improvements and the Capital Improvement Program be amended as follows:

From: Irvine: Irvine Campus Medical Complex – partial preliminary plans – $35,210,000 to be funded from hospital reserves.

To: Irvine: Irvine Campus Medical Complex – preliminary plans – $67,503,000 to be funded from hospital reserves.

(2) ***Preliminary Plans Funding and External Financing, Health and Behavioral Sciences Building, Merced Campus***

The Committee recommended that:

a. The 2020–21 Budget for Capital Improvements and the Capital Improvement Program be amended to include the following project:

Merced: Health and Behavioral Sciences Building – preliminary plans – $12 million to be funded from external financing supported by State General Fund appropriations ($7.8 million) and general campus reserves ($4.2 million).

b. The President of the University shall be authorized to obtain external financing not to exceed $7.8 million, plus additional related financing costs to finance the preliminary plans for the Health and Behavioral Sciences Building. The President shall require that:

(i) Interest only, based on the amount drawn, shall be paid on the outstanding balance during the construction period.

(ii) The primary source of repayment shall be from State General Fund appropriations, pursuant to the Education Code Section 92493 et seq. Should State General Fund appropriation funds not be available, the President shall have the authority to use any legally available funds to make debt service payments.

(iii) As long as the debt is outstanding, general revenues from the Merced campus shall be maintained in amounts sufficient to pay the debt service and to meet the related requirements of the authorized financing.

(iv) The general credit of the Regents shall not be pledged.

(3) ***Approval of Design Following Action Pursuant to the California Environmental Quality Act, Welcome Center Building on Lawrence Berkeley National Laboratory's Main Campus in Berkeley***

The Committee recommended, following review and consideration of the environmental consequences of the Welcome Center Building Project (Project), as required by the California Environmental Quality Act (CEQA), including any written information addressing this item received by the Office of the Secretary and Chief of Staff to the Regents no less than 24 hours in advance of the beginning of this Regents meeting, testimony or written materials presented to the Regents during the scheduled public comment period, and the item presentation, that the Regents:

a. Following review and consideration of the previously certified Lawrence Berkeley National Laboratory (LBNL) 2006 Long Range Development Plan (LRDP) Environmental Impact Report (EIR), as supplemented, of which the Project is a part, determine that no further environmental analysis pursuant to CEQA is required and adopt CEQA Findings in connection with the Project.

b. Make a condition of approval the implementation of applicable mitigation measures within the responsibility and jurisdiction of LBNL, as identified in the Mitigation Monitoring and Reporting Program adopted in connection with the 2006 LRDP EIR.

c. Approve the design of the Welcome Center Building and related site work, Lawrence Berkeley National Laboratory.

(4) ***Preliminary Plans Funding Amendment, Working Drawings Funding, Scope, and External Financing, Hillcrest Outpatient Pavilion and Parking, San Diego Campus***

The Committee recommended that:

a. The 2020–21 Budget for Capital Improvements and the Capital Improvement Program be amended to include the following project:

From: San Diego: Hillcrest Outpatient Pavilion and Parking – preliminary plans – $20 million funded from campus funds.

To: San Diego: Hillcrest Outpatient Pavilion and Parking – preliminary plans and working drawings – $38,179,000 to be funded from campus funds ($13,363,000) and external financing ($24,816,000).

b. The scope of the Hillcrest Outpatient Pavilion and Parking project shall provide:

(i) Approximately 240,000 gross square feet of space for an Outpatient Pavilion (OPP) to accommodate hospital-licensed services and programs.

(ii) Structured parking, totaling approximately 1,850 spaces, which would meet parking demands associated with the project in addition to replacing parking that would be removed when Bachman Parking Structure is demolished as part of this project.

(iii) Related utility and infrastructure, including the first phase of a new Central Utility Plant to support the OPP, parking structure and future Non-OSHPD (Office of Statewide Health Planning and Development) buildings.

(iv) New road connection at Bachman Place and Arbor Drive to assist with campus and community access, and a new First Avenue road extension.

c. The President of the University be authorized to obtain external financing from the Medical Center Pooled Revenue Bond 2020 Series N bonds in an amount not to exceed $24,816,000 plus additional related financing costs to finance the Outpatient Pavilion. The President shall require that:

(i) Interest only, based on the amount drawn, shall be paid on the outstanding balance during the construction period.

(ii) As long as the debt is outstanding, the general revenues of the UC San Diego Medical Center shall be maintained in amounts sufficient to pay the debt service and to meet the requirements of the authorized financing.

(iii) The general credit of the Regents shall not be pledged.

(5) ***Conforming Amendment to University of California 2020–21 Budget for State Capital Improvements and Approval of University of California 2021–22 Budget for State Capital Improvements***

The Committee recommends that:

(1) The amended 2020–21 Budget for State Capital Improvements be approved as shown below:

		State General Funds Financed ($000s)		
		Approved Budget May 2020	**Proposed Change**	**Proposed Budget**
Los Angeles	Public Affairs Building Seismic Improvements	$25,000		$25,000
Riverside	School of Medicine Education Building II	$93,600		$93,600
Systemwide	UC Center in Sacramento	$11,400		$11,400
Systemwide	2020-21 UC Seismic Program Supported by State Resources	$189,327		$189,327
Systemwide	2020-21 Planning for Future State Capital Outlay	$57,000		$57,000
Davis	Sprocket Building Seismic	$12,000		$12,000
Merced	Health and Behavioral Sciences Building (portion of preliminary plans)		$7,800	$7,800
	Capital Projects Total	**$388,327**	**$7,800**	**$396,127**
2020-21 Systemwide State Deferred Maintenance Program		$35,000		$35,000
	TOTAL STATE FUNDS FINANCED	**$423,327**	**$7,800**	**$431,127**

(2) The 2021–22 Budget for State Capital Improvements be approved as shown below:

		State General Funds Financed ($000s)
		Proposed Budget
Berkeley	Academic Seismic Replacement Building (Evans Hall Seismic Replacement) (working drawings and construction)	$116,723
	TOTAL STATE FUNDS FINANCED	**$116,723**

B. ***Budget, Scope, External Financing, and Design Following Action Pursuant to the California Environmental Quality Act, Theatre District Living and Learning Neighborhood, San Diego Campus***

The Committee recommended that:

(1) The 2020–21 Budget for Capital Improvements and the Capital Improvement Program be amended as follows:

From: San Diego: Future College Living and Learning Neighborhood – preliminary plans – $30 million funded from housing reserves.

To: San Diego: Theatre District Living and Learning Neighborhood – preliminary plans and partial working drawings – $35 million to be funded from housing reserves ($34 million) and campus funds ($1 million).

(2) Following review and consideration of the environmental consequences of the proposed TD LLN project, as required by California Environmental Quality Act (CEQA), including any written information addressing this item received by the Office of the Secretary and Chief of Staff no less than

24 hours in advance of the beginning of the Regents meeting, testimony or written materials presented to the Regents during the scheduled public comment period, and the item presentation, the Regents:

a. Make a condition of approval the implementation of applicable mitigation measures within the responsibility and jurisdiction of UC San Diego, as identified in the Mitigation Monitoring and Reporting Program adopted in connection with the 2018 Long Range Development Plan (LRDP) Environmental Impact Report (EIR).

b. Adopt the CEQA Findings for the TD LLN, having considered the 2018 LRDP EIR for the La Jolla Campus, as well as Addendum No. 5 to the 2018 LRDP EIR for the Theatre District Living and Learning Neighborhood.

c. Approve the design of the TD LLN project, San Diego campus.

(3) The President of the University be authorized, in consultation with the General Counsel, to execute all documents necessary in connection with the above.

Regent Makarechian reported that the Committee recommended an additional $5 million for continuing design until a later time, during which the campus would present revised numbers to the Regents.

C. ***New Markets Tax Credits for "the U" in Downtown San Diego, San Diego Campus***

The Committee recommended that, for the benefit of the San Diego campus and in connection with tenant improvement costs and/or reimbursement of a portion of acquisition costs of an approximately 66,750-gross-square-foot, four-story, build-to-suit commercial building (Property) located at the intersection of Park Boulevard and Market Street in downtown San Diego (named "the U"), the Regents:

(1) Approve the creation of a special purpose entity non-profit corporation (SPE NPC) to function as a Qualified Active Low-Income Community Business with consulting fees, due diligence costs, legal fees, and closing costs (collectively, the "Transaction Costs") to be paid from New Markets Tax Credits (NMTC) financing proceeds. Transaction Costs and interest payments payable and not covered by the NMTC equity allocation are to be paid from UC San Diego Extension Program reserves.

(2) Approve the creation of a special purpose entity limited liability company (SPE LLC) to function as the NMTC Leverage Lender with Transaction Costs to be paid from the NMTC financing proceeds.

(3) Approve the following terms of a master lease between the Regents as the property owner and the SPE NPC as Master Tenant:

a. The term of the master lease shall not exceed 30 years.

(4) Approve the use of campus cash reserves to fund a loan in an amount not to exceed $35 million to fund the campus portion of the NMTC Leveraged Deal Structure, subject to the following conditions:

a. As long as any debt is outstanding, the general revenues of the San Diego campus shall be maintained in amounts sufficient to pay the debt service and to meet the related requirements of the authorized NMTC financing.

b. Any NMTC-related debt service obligations or NMTC-related expenses during the seven-year NMTC Compliance Period will be paid from NMTC funding reserved in escrow at the time of the NMTC closing.

(5) Authorize the President of the University or President's designee, in consultation with General Counsel, to assume liability for and indemnify the NMTC investor(s) and their affiliates, including their officers, directors, managers, trustees, employees, and agents, for the conduct of persons other than University officers, agents, employees, students, invitees, and guests for liabilities or losses incurred in connection with the NMTC financing, including the presence or release of hazardous materials on the Property, the payment of the call price, and compliance with the applicable Internal Revenue Service NMTC requirements by the University, SPE NPC and SPE LLC during the compliance period.

(6) Authorize the President or President's designee, after consultation with General Counsel, to negotiate, approve, and execute all documents, amendments, and modifications thereto, as may be necessary or appropriate in connection with the allocation of NMTC to the San Diego campus, establishment of the SPE NPC and SPE LLC entities, and the overall execution of the NMTC financing, provided that such documents, amendments, and modifications do not materially reduce the consideration to or increase obligations of the Regents. The general credit of the Regents shall not be pledged.

Authorize the President or President's designee to supervise the ongoing administration of the NMTC financing structure, including the SPE NPC and SPE LLC, and after consultation with General Counsel, to negotiate, approve, and execute all instruments, documents, amendments, and modifications thereto, as may be necessary or appropriate.

Regent Makarechian reported that some concern had been expressed about this item, but Chair Pérez and Regent Estolano assured the Committee that this structure, while complicated, was typical and would provide equity.

D. ***Data Hub New Academic Building, Berkeley Campus***

This item was not summarized.

E. ***UC Davis 2020 Long Range Development Plan and 2020 Physical Design Framework Amendment, Sacramento Campus***

Regent Makarechian reported that this item would be presented to the Board at a future meeting. The Committee was concerned about the availability of infrastructure and was told that a discussion was taking place with the City of Sacramento.

F. ***Update on the 2020–21 Operating Budget***

Regent Makarechian reported that the Committee would engage in extensive discussion on this item at the November meeting.

Upon motion of Regent Makarechian, duly seconded, the recommendations of the Finance and Capital Strategies Committee were approved, Regents Anguiano, Butler, Cohen, Drake, Elliott, Estolano, Guber, Kieffer, Lansing, Leib, Makarechian, Mart, Muwwakkil, Ortiz Oakley, Park, Pérez, Reilly, Sherman, Stegura, Sures, and Zettel voting "aye."

Governance Committee

The Committee presented the following from its meeting of September 16, 2020:

A. ***Approval of Retroactive Approval for Athletic Contract Components that Exceeded September 2008 Parameters, as Discussed in Closed Session***

The Committee recommended retroactive approval of the contract components exceeding the *Amendment of Regents' Delegation of Authority for Recruiting and Negotiation Parameters for Certain Athletic Positions and Coaches, Systemwide* (September 2008 Parameters or Parameters) for the following current University of California employees:

(1) Justin Frye, Assistant Football Coach, Los Angeles campus

Overall Cumulative Total Guaranteed Compensation in the amount of $1.15 million that Mr. Frye received as Assistant Football Coach, Los Angeles campus, under the contract effective February 23, 2018 to February 28, 2020. This exceeded the September 2008 Parameters because the overall cumulative total of Guaranteed Compensation of $1.15 million was a 35.29 percent increase over the previous incumbent’s overall cumulative total of Guaranteed Compensation of $850,000, after the calculation is adjusted so that a change in contract duration does not impact the comparison. All other components of the contract were found to be within the Parameters.

(2) James Les, Head Coach, Men’s Basketball, Davis campus

Additional deferred compensation in the form of a retention bonus in the amount of $53,333 to be paid for year eight of his contract (July 2024–June 2025). This exceeds the September 2008 Parameters because this results in total deferred compensation in the form of a retention bonus over the life of the contract of $373,331, although the Guaranteed Compensation for the first year of the contract was $320,000. All other components of the contract were found to be within the Parameters.

(3) Angus McClure, former Assistant Football Coach, Los Angeles campus (currently with the Berkeley campus)

Overall Cumulative Total Guaranteed Compensation in the amount of $650,000 that Mr. McClure received as Assistant Football Coach, Los Angeles campus, under the contract amendment effective July 1, 2016 to June 30, 2018. This exceeded the September 2008 Parameters because the overall cumulative total of Guaranteed Compensation of $650,000 was a 36.8 percent increase over the overall cumulative total of Guaranteed Compensation of $475,000 from the amendment effective July 1, 2015 to June 30, 2017, both of which were for the same duration. All other components of the contract were found to be within the Parameters.

(4) Joe Pasternack, Head Coach, Men’s Basketball, Santa Barbara campus

Use of student service fees to fund a portion of Mr. Pasternack’s compensation during the term of his current contract from April 6, 2017 to April 5, 2022. The use of student fees to fund a coach's compensation exceeds the September 2008 Parameters, which require seeking Regental review and approval if the funding of a coach’s contract comes from sources other than athletic department revenues (including athletic equipment supplier agreements) or private fundraising. All other components of the contract were found to be within the Parameters.

(5) Peter Sirmon, Assistant Football Coach, Berkeley campus

Annual Guaranteed Compensation of $385,000 that Mr. Sirmon received as Assistant Football Coach, Berkeley campus, during year one of his 2018–19 contract. This exceeded the September 2008 Parameters because the annual Guaranteed Compensation of $385,000 in year one was a 47.5 percent increase over the annual guaranteed compensation of $251,000 in the previous incumbent's final contract year in the position. All other components of the contract were found to be within the Parameters.

The compensation described above shall constitute the University's total commitment for the elements of compensation addressed above until modified by the Regents, President, or Chancellor, as applicable under Regents policy, and shall supersede all previous oral and written commitments. Compensation recommendations and final actions will be released to the public as required in accordance with the standard procedures of the Board of Regents.

B. ***Approval of Incentive Compensation Using Non-State Funds for Fiscal Year 2019–20 for Jagdeep Singh Bachher as Chief Investment Officer and Vice President –Investments, Office of the President, as Discussed in Closed Session***

The Committee recommended approval of an incentive award of $750,611 for Plan Year 2019–20, under the Office of the Chief Investment Officer Annual Incentive Plan (AIP), for Jagdeep Singh Bachher as Chief Investment Officer and Vice President – Investments, Office of the President. The recommended incentive award represents 109 percent of Mr. Bachher's total salary paid as of the end of the 2019–20 Plan Year of $690,527.

The incentive compensation described above shall constitute the University's total commitment regarding incentive compensation until modified by the Regents or the President, as applicable under Regents policy, and shall supersede all previous oral and written commitments. Compensation recommendations and final actions will be released to the public as required in accordance with the standard procedures of the Board of Regents.

C. ***Approval of Compensation for Martin Jarmond as Director of Intercollegiate Athletics, Los Angeles Campus, as Discussed in Closed Session***

The Committee recommended approval, as an exception to the *Amendment of Regents' Delegation of Authority for Recruiting and Negotiation Parameters for Certain Athletic Positions and Coaches, Systemwide* (September 2008 Parameters), of a payment for the benefit of Martin Jarmond, Director of Intercollegiate Athletics, Los Angeles campus, not to exceed $1,491,000 for the income tax costs attributed to him in connection with the payment to Boston College made by the UCLA Foundation for the early contract termination cost, to be funded using allowable funding sources, as noted in the September 2008 Parameters.

D. ***Amendment of Bylaw 21.7 – Regent Compensation – Regarding Regents' Participation in Uncompensated University-Affiliated Positions***

The Committee recommended that, following service of appropriate notice, the Regents amend Bylaw 21.7 – Regent Compensation as shown in Attachment 3.

E. ***Dates of Regents Meetings for 2022***

The Committee recommended that the following dates of Regents meetings for 2022 be approved:

2022

January 18–20
March 15–17
May 17–19
July 19–21
September 20–22
November 15–17

F. ***Resolution to Exclude Access to Federal Classified Information***

The Committee recommends that the resolution pertaining to the University's Facility Security Clearances be approved as shown in Attachment 4.

Upon motion of Chair Pérez, duly seconded, the recommendations of the Governance Committee were approved, Regents Anguiano, Butler, Cohen, Drake, Elliott, Estolano, Guber, Kieffer, Lansing, Leib, Makarechian, Mart, Muwwakkil, Ortiz Oakley, Park, Pérez, Reilly, Sherman, Stegura, Sures, and Zettel voting "aye."

<u>Report of the Health Services Committee</u>

The Committee presented the following from its meetings of August 24, 2020:

A. ***Update of the COVID-19 Impact on the University of California: UC Health Issues***

This item was not summarized.

B. ***Oversight Expectations Unique to Health Care Boards***

This item was not summarized.

C. ***Speaker Series – Community Impact During COVID-19: UC Irvine's Work with Aging Population Centers and Local Schools***

Regent Lansing reported that, according UC Irvine Health Professor Susan Huang, nurses or nursing home staff were most likely to contract COVID-19 in break rooms of medical centers and nursing homes.

D. ***UC Health Labor and Occupational Health Considerations During COVID-19***

Regent Lansing reported that Executive Vice President Byington has been meeting regularly with union leaders and staff to ensure their safety.

<u>Report of the Investments Committee</u>

The Committee presented the following from its meeting of September 15, 2020:

A. ***Review of Fiscal Year 2019–2020 Performance of UC Pension, Endowment, Retirement Savings Program, Short Term and Total Returns Investments Products***

Regent Sherman reported that, since June 30, UC investment assets grew by $10 billion, which included debt that was sold and increased UC liquidity. There were opportunities for campus foundations to grow their funds if they move their funds to the General Endowment Pool.

B. ***Approval of UC Pension Asset Allocation, Amendment of Investments Policy Statements and Guidelines (Regents Policy 6101) and Rescission of Asset and Risk Allocation Policies (Regent Policy 6401)***

The Committee recommended that, effective as of July 1, 2020, the Regents:

1. Amend Regents Policy 6101: UC Retirement Plan Investment Policy Statement, as shown in Attachments 5 and 6.

2. Rescind Regents Policy 6401: University of California Retirement Plan Asset and Risk Allocation Policy as shown in Attachment 7.

It is recommended that the Regents confirm, ratify, and approve all actions heretofore taken on or after July 1, 2020 by the Office of the Chief Investment Officer consistent with the investment policies and guidelines included in the foregoing recommendations.

Regent Sherman reported that this would increase the allocation to alternative assets with a view toward increasing medium- to long-term returns with a very modest increase in risk.

C. ***Update on UC Investments Activities Towards Diversity, Equity, and Inclusion and Sustainable Investing***

Regent Sherman reported that an update on diversity, equity, inclusion and sustainable investing would be provided at every meeting. A dashboard was presented that featured the Office of the Chief Investment Officer's progress.

Upon motion of Regent Sherman, duly seconded, the recommendations of the Investments Committee were approved, Regents Anguiano, Butler, Cohen, Drake, Elliott, Estolano, Guber, Kieffer, Lansing, Leib, Makarechian, Mart, Muwwakkil, Ortiz Oakley, Park, Pérez, Reilly, Sherman, Stegura, Sures, and Zettel voting "aye."

Report of the National Laboratories Committee

The Committee presented the following from its meeting of September 16, 2020:

Overview of the UC National Laboratory Fees Research Program

Regent Zettel reported that, since 2008, the UC National Laboratory Fees Research Program has awarded more than $170 million to 575 students and postdoctoral fellows for accelerator research and research on climate solutions, environmental sciences, clean energy, quantum computing, cybersecurity, and other areas. Over $200 million in extramural funding has been secured for this research. UC Merced graduate and Lawrence Livermore National Laboratory postdoctoral fellow Kimber Moreland shared her mentorship and training in carbon research as a participant of the program.

Report of the Special Committee on Basic Needs

The Special Committee presented the following from its meeting of September 15, 2020:

Special Committee on Basic Needs Report

Regent Muwwakkil reported that Vice President Gullatt presented a draft of the Special Committee's report, whose recommendations aimed to reduce the number of students reporting food and housing insecurity by half of the number reported in 2016 student surveys. A final report would be presented at the November meeting.

11. **REPORT OF MATERIALS MAILED BETWEEN MEETINGS**

Secretary and Chief of Staff Shaw reported that, on the dates indicated, the following were sent to the Regents or to Committees:

To the Regents of the University of California:

A. From the Executive Vice President of UC Health, a COVID-19 and Coronavirus Update dated July 24, 2020. July 24, 2020.

B. From the President of the University, a letter regarding the *Implementation Report for the 2019 Universitywide Policing Task Force*. July 28, 2020.

C. From Regent Zettel, a letter regarding nominations and applications for the position of Director of Lawrence Livermore National Laboratory. August 3, 2020.

D. From the Secretary and Chief of Staff, a letter informing the Regents of appointments to the Special Committee on Basic Needs. August 4, 2020.

E. From the President of the University, the *Report on Health System Transactions Approved by the Health Services Committee* for the period from July 1, 2017 through June 30, 2020. August 4, 2020.

F. From the Secretary and Chief of Staff to the Regents, the Summary of Communications Received for July 2020. August 5, 2020.

G. From the President of the University, a letter to University leadership announcing an Executive Order requiring all University of California students, staff, and faculty living, learning, or working at any UC location to obtain a flu vaccination by November 1, 2020. August 7, 2020.

H. From the Interim Vice President of Human Resources, an email outlining the recent agreements between the University and a set of graduate students who were members of the UAW and participated in illegal strike activities at UC Santa Cruz during the fall and winter terms. August 13, 2020.

I. From the Secretary and Chief of Staff, an email with a link to a video message to the UC community from the President of the University. August 17, 2020.

J. From the President of the University, a message regarding wildfire evacuations and impacts at UC Santa Cruz and UC Davis. August 21, 2020.

K. From the Chair of the Academic Senate, the first year report of the Academic Senate's Extending Faculty Diversity Task Force, June 2020. September 3, 2020.

To the members of the Compliance and Audit Committee:

L. From the President of the University, the *2018-19 University of California Chief Financial Officer's Division Office of Risk Services Annual Report*. July 27, 2020.

M. From the General Counsel and Vice President, the *Bi-monthly Report of New Litigation* for reporting period April 1, 2020 to May 31, 2020. August 12, 2020.

To the members of the Governance Committee:

N. From the President of the University, the *2019 Annual Report on Executive Compensation for Deans and Certain Full-Time Faculty Administrators* and an Addendum to the 2019 Report. July 23, 2020.

To the members of the Health Services Committee:

O. From the President of the University, the *UC Medical Centers Reports for the Nine Months Ended March 31*, *2020*. July 27, 2020.

The meeting adjourned at 2:35 p.m.

Attest:

Secretary and Chief of Staff

ATTACHMENT 1

POLICY PROHIBITING USE OF QUOTAS AND CAPS IN UNIVERSITY CONTRACTING, EMPLOYMENT AND ADMISSIONS

POLICY TEXT

The University of California will continue its efforts to foster a working and learning environment that is diverse, equitable and inclusive, for the benefit of everyone in the University community. University admissions, contracting and employment processes shall be conducted in accordance with all applicable laws. The University shall not, in any of these processes, use race, ethnicity or gender quotas that must be achieved, or caps that cannot be exceeded.

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.

Attachment 2

Proposed Revisions to Internal Audit Charter

Additions shown by underscoring; deletions shown by strikethrough

Internal Audit Charter

(Charter Revised ~~November 2015~~ September 2020)

Policy Statement

It is the policy of the University of California (UC) to maintain an independent and objective internal audit function to provide the Regents, President, ~~and~~ campus Chancellors and Laboratory Director with information and assurance on the governance, risk management and internal control processes of the University. Further, it is the policy of the University to provide the resources necessary to enable Internal Audit (IA) to achieve its mission and discharge its responsibilities under its charter. Internal Audit is established by the Regents, and its responsibilities are defined by the Regents' Committee on Compliance and Audit as part of their oversight function.

Vision

UC Internal Audit will be a universally recognized knowledgeable, collaborative and trusted resource on governance, risk management and control.

Mission

The mission of ~~the University of California~~ ~~(~~UC~~)~~ ~~internal audit~~ ~~(~~IA~~)~~ is to provide the Regents, President, campus Chancellors and Laboratory Director with independent and objective assurance and consulting services designed to add value and ~~to~~ improve operations. We do this through communication, monitoring and collaboration with management to assist the campus community in the discharge of their oversight, management, and operating responsibilities. IA brings a systematic, risk-based and disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes.

Authority

IA functions under the policies established by the Regents of the University of California and by University management under delegated authority.

IA is authorized to have full, free and unrestricted access to information it deems necessary to perform audit, consulting/advisory services, and investigation projects and ongoing risk assessment activities, including, but not limited to, records, computer files, information systems, databases, property, and personnel of the University in accordance with the authority granted by approval of this charter and federal and state statutes. Except where limited by law, the work of IA is unrestricted. IA is free to review and evaluate all policies, procedures, and practices for any university activity, program, or function on behalf of the Board of Regents.

In performing the audit function, IA has no direct responsibility for, nor authority over, any of the activities reviewed. The ~~internal audit~~ IA review ~~and approval~~ process does not in any way relieve other persons in the organization of the responsibilities assigned to them.

Information requested by IA shall be provided without delay. Any attempt to interfere with or prevent IA's access to information, including termination of access to information required to perform IA's duties, shall be immediately escalated to the local Chancellor/Laboratory Director and to the President of the University for resolution. If the access issues are not timely resolved through this escalation, the Chief Compliance and Audit Officer (CCAO) shall escalate the issues to the Chair of the Regents Compliance and Audit Committee for resolution.

Independence and Reporting Structure

To permit the rendering of impartial and unbiased judgment essential to the proper conduct of audits, internal auditors will be independent of the activities they audit. This independence is based primarily upon organizational status and objectivity and is required by external industry standards.

The ~~Senior Vice President - Chief Compliance and Audit Officer (~~CCAO~~)~~ has a direct, independent reporting relationship to the Regents, communicating directly with the Board of Regents and the Regents Committee on Compliance and Audit regarding all elements of meaningful compliance and audit programs, including providing annual reports on compliance with applicable laws, regulations, and University policies. The CCAO shall also consult with and advise the President and the Chair and Vice Chair of the Regents' Committee on Compliance and Audit on compliance and audit activities. The CCAO has established an active channel of communication with the Chair of the Regents' Committee on Compliance and Audit, as well as with campus executive managements, on audit matters. The CCAO has direct access to the President and the Regents' Committee on Compliance and Audit. In addition, the CCAO serves as a participating member on all campus compliance oversight/audit committees.

Campus/Laboratory Internal Audit Directors (IADs) report administratively to the Chancellor/Laboratory Director and directly to the Regents' Committee on Compliance and Audit through the CCAO. IADs have direct access to the CCAO and to the President or the Regents' Committee on Compliance and Audit as circumstances warrant.

Campus/Laboratory IADs will report periodically to ~~the~~ campus compliance oversight/audit committees on the adequacy and effectiveness of the organization's processes for controlling its activities and managing its risks in the areas set forth under the mission and scope of work~~;~~, the status of the annual audit plan, and the sufficiency of audit resources. ~~The l~~Local audit functions will coordinate with and provide oversight of other control and monitoring functions involved in governance, such as risk management, compliance, security, legal, ethics, environmental health ~~&~~ and safety, external audit, etc.

IADs may take directly to the respective Chancellor or Laboratory Director, the CCAO, the President, or the Regents matters that they believe to be of sufficient magnitude and importance. IADs shall take directly to the CCAO, who shall report to the President and the Regents' Committee on Compliance and Audit Chair, any credible allegations of significant wrongdoing (including any wrongdoing for personal financial gain) by or about a Chancellor, Executive Vice Chancellor or Vice President, or any other credible allegations that if true could cause significant harm or damage to the reputation of the University.

The Chancellors/Laboratory Director may delegate other IAD administrative oversight responsibilities such as time and expense approval and departmental budget oversight to a position no lower than the Vice Chancellor/Associate Laboratory Director or Chief Operating Officer level. To maintain organizational independence, this position should generally not have responsibility over key operating units routinely reviewed by internal audit. The Chancellor/Laboratory Director shall retain responsibility for~~:~~ approval of the campus/laboratory annual audit plan~~;~~ and approval of local audit committee/work group charter~~;~~, and shall meet with the IAD regularly to review the state of the internal audit function and the state of internal controls locally. The Regents have the ultimate authority to approve and/or amend the systemwide audit plan, which is a consolidation of all campus and laboratory audit plans.

Scope of Work

The scope of IA work is to determine whether UC's network of risk management, control, and governance processes, as designed and represented by management at all levels, is adequate and functioning in a manner to ensure:

- Risk management processes are effective and significant risks are appropriately identified and managed.
- Ethics and values are promoted within the organization.
- Financial and operational information is accurate, reliable, and timely.
- Employee's actions are in compliance with policies, standards, procedures, and applicable laws and regulations.
- Resources are acquired economically, used efficiently, and adequately protected.
- Programs, plans, and objectives are achieved.
- Quality and continuous improvement are fostered in the organization's risk management and control processes.
- Significant legislative or regulatory compliance issues impacting the organization are recognized and addressed properly.
- Effective organizational performance management and accountability ~~is~~ are fostered.
- Coordination of activities and communication of information among the various governance groups occur as needed.
- The potential occurrence of fraud is evaluated and fraud risk is managed.
- Information technology governance supports UC's strategies, objectives, and ~~the organization's~~ privacy framework.
- Information technology security practices adequately protect information assets and are in compliance with applicable policies, rules and regulations.

- Opportunities for improving management control, quality and effectiveness of services, and the organization's image identified during audits are communicated by IA to the appropriate levels of management.

Nature of Assurance and Consulting Services

IA performs three types of projects:

- **Audits** are assurance services defined as examinations of evidence for the purpose of providing an independent assessment ~~on~~ of governance, risk management, and control processes for the organization. Examples include financial, performance, compliance, systems security and due diligence engagements.
- **Consulting/Advisory Services**, the nature and scope of which are agreed upon with the client, are intended to add value and improve an organization's governance, risk management, and control processes without the internal auditor assuming management responsibility. Examples include reviews, recommendations (advice), facilitation, and training.
- **Investigations** are independent evaluations of allegations generally focused on improper governmental activities, including misuse of university resources, fraud, financial irregularities, significant control weaknesses and unethical behavior or actions.

Mandatory Guidance

IA serves the University in a manner that is consistent with the standards established by the ~~SVP/~~CCAO and acts in accordance with University policies and the UC Standards for Ethical Conduct. At a minimum, it complies with relevant professional standards~~, and~~ such as the Institute of Internal Auditors' mandatory guidance, including the Definition of Internal Auditing, the Code of Ethics and the International Standards for the Professional Practice of Internal Auditing. This mandatory guidance constitutes principles of the fundamental requirements for the professional practice of internal auditing and for evaluating the effectiveness of the internal audit activity's performance.

Certain Personnel Matters

Action to appoint, demote or dismiss the ~~SVP/~~CCAO requires the approval of the Regents. Action to appoint an IAD requires the concurrence of the ~~SVP/~~CCAO. Action to demote or dismiss an IAD requires the concurrence of the President and the Chair of the Compliance and Audit Committee, upon the recommendation of the ~~SVP/~~CCAO.

Additions shown by underscoring

21.7 Regent Compensation.

No Regent shall receive salary or other compensation for service as a Regent, nor shall any Regent, other than the President of the University, be eligible for compensated employment or appointment in any University-affiliated position. Notwithstanding the foregoing, the student Regent shall be eligible for part-time compensated University employment and a scholarship per Regents Policy 1202: Policy on Appointment of Student Regent. A Regent shall be eligible for uncompensated employment or appointment to a University-affiliated position upon approval by the Chair and Vice Chair of the Governance Committee. In the case of the inability of the Chair of the Board or the Vice Chair of the Board to approve because of unavailability or conflict, the Chair of the Audit and Compliance Committee may approve. Within limits pursuant to University policy, Regents may be reimbursed for actual expenses incurred by reason of attendance at any Board or Committee meeting or in the performance of other official business of the University.

Attachment 4

RESOLUTION

Pursuant to the *Policy on Security Clearance for Access to Federal Classified Information* adopted on March 29, 2012, and amended on December 30, 2015 and March 16, 2017, and this Resolution, the following named Key Management Personnel member as defined in Regents Policy 1600 shall not require, shall not have, and can be effectively excluded from access to all classified information and/or special nuclear material released to the Regents of the University of California until such individual is granted the required access authorization from the cognizant security agency. And, as a consequence of this Resolution, such individual does not occupy a position that would enable him to adversely affect the policies or practices of the University of California, or its subsidiary, regarding the performance of classified contracts for the United States Government.

NAME	**TITLE**
Michael V. Drake	President of the University of California

UNIVERSITY OF CALIFORNIA RETIREMENT PLAN

[UCRP]

INVESTMENT POLICY STATEMENT

Effective: July 1, 2020
Replaces the UCRP Investment Policy Statement and UCRP Asset and Risk Allocation Policy effective March 15, 2018

UNIVERSITY OF CALIFORNIA RETIREMENT PLAN
INVESTMENT POLICY STATEMENT

POLICY SUMMARY/BACKGROUND

The purpose of this Investment Policy Statement ("Policy") is to define the objectives, policies and guidelines for the management and oversight of the University of California ("UC") 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 Policy consists of the following sections:

1. Roles and Responsibilities
2. Objectives
3. Investment Guidelines
4. Strategic Allocation
5. Risk Management
6. Benchmarks
7. Rebalancing
8. Monitoring and Reporting
9. Policy Maintenance
10. No Right of Action
11. Disclosures

1. ROLES AND RESPONSIBILITIES

Board of Regents
The Board defines the goals and objectives of UCRP and is responsible for establishing and approving changes to this Policy. The Board of Regents may delegate the implementation of this policy to sub-committees, the Chief Investment Officer and investment advisors.

Chief Investment Officer
The Chief Investment Officer ("Office of the Chief Investment Officer", "OCIO", "UC Investments") 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.

Investment Managers
The OCIO may delegate to external Investment Managers responsibility for managing all or a portion of the assets. Any external Investment Managers will assume the roles and responsibilities of "investment manager" under Section 3(38) of ERISA, including but not limited to acknowledging in writing that such Investment Manager is a fiduciary with respect to the assets it manages on behalf of UCRP. The Investment Manager will accept assets and invest in compliance with all relevant laws, the Investment Manager's individual investment management agreement(s), and as applicable, the stated investment guidelines in this Policy.

Trustee/Custodian
The role of the Trustee/Custodian is to provide safekeeping, accounting and valuation of Trust assets.

2. OBJECTIVES

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 satisfying the Plan's liabilities in conjunction with the Regents' funding policy.

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 this 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.

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.

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 website in the sustainability section.

3. INVESTMENT GUIDELINES

Permitted Investments

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 elsewhere in this document. 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
- Diversification 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 core fixed income instruments, including government and investment grade corporate bonds, inflation linked securities, cash and cash equivalents, as well as higher returning growth fixed income assets including high yield and emerging markets debt. The UCRP can hold a mix of traditional (benchmark relative) strategies and unconstrained (benchmark agnostic) strategies. The objective of the core fixed income assets is to provide diversification relative to other higher risk assets and necessary liquidity for payment obligations and portfolio rebalancing needs. The growth fixed income assets are intended to provide diversification and long term growth by investing in higher yielding and less liquid growth fixed income opportunities.

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 Credit**
   Private credit includes debt issued by and loans made to companies through privately negotiated, non-public transactions, other debt backed private structures, such as consumer or asset backed loans. The objective of the portfolio is to earn higher returns than the public debt markets over the long term and take advantage of preferential yields, terms and other characteristics available through private transactions.

5. **Real Estate**
   Real estate includes private investments in real property and related debt investments. The

objectives of the real estate portfolio are to contribute to the diversification of the portfolio, generate returns through income and/or capital appreciation, and provide protection against unanticipated inflation.

6. 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.

7. Absolute Return

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 and Event Driven strategies. The objective of the portfolio is to provide diversification and generate capital appreciation.

8. 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.

Investment Restrictions

The Regents established that the purchase of securities issued by tobacco companies and companies with business operations in Sudan are prohibited in separately managed accounts. The OCIO 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.

5. STRATEGIC ALLOCATION

The purpose of the Strategic Asset Allocation (SAA) is to establish a diversified long term portfolio that is best able to achieve UCRP's long-term purpose and objectives. The SAA will reflect 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

	Target Allocation	Allowable Ranges Minimum	Allowable Ranges Maximum
Global Equity	53.0	43.0	63.0
Core Fixed Income	13.0	10.0	16.0
High Yield Fixed Income	2.5	0.0	5.0
Emerging Markets Fixed Income	1.5	0.0	3.0
Private Credit	3.5	0.0	7.0
Private Equity	12.0	7.0	17.0
Absolute Return	3.5	0.0	5.5
Real Assets	4.0	0.0	8.0
Real Estate	7.0	2.0	12.0
Cash	0.0	0.0	5.0
TOTAL	100%		
Combined Private Investments[1]	30.0	15.0	40.0
Combined Public Fixed Income[2]	17.0	10.0	25.0

1. Private Investments includes Private Equity, Private Credit, Real Estate, Real Assets and Absolute Return.
2. Public Fixed Income includes Core, High Yield and Emerging Markets Fixed Income

6. 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 Committee's level of risk tolerance will take all three factors into account. 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.

Funded status risk, or the risk of a significant decline in funded position, is the ultimate aggregate risk for

UCRP. Of the three determinants of this aggregate risk (contributions, benefits and investments) investment policy and investment risk are governed by this policy. The primary investment risk for UCRP is that investment returns fall below the assumed rate of return of the UCRP over the medium to long term. The principal risk factors that determine UCRP's investment risk, and the parties responsible for managing them are as follows:

- **Capital market risk** is the risk that the investment return associated with the 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 OCIO.

- **Total active risk** refers to the difference between the return of the UCRP policy benchmark and the actual return and captures the impact of implementation of the SAA policy. It incorporates the aggregate of investment style risk, active management risk, and tactical/strategic risks and is thus the responsibility of the OCIO.

The OCIO is responsible for managing both active risk and total risk (the combination of capital market 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.

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 OCIO.

7. BENCHMARKS

UCRP's performance will be evaluated against appropriate benchmarks including a strategic asset allocation benchmark ("Total UCRP Portfolio Benchmark") and specific benchmarks for each asset class and investment manager. The Total UCRP Portfolio Benchmark is a weighted average consisting of the asset class benchmarks listed below weighted by the SAA target weights. The benchmarks for each asset class are shown in Table 2:

Table 2

Asset Class	**Benchmark**
Global Equity	MSCI All Country World Index (ACWI) Investable Market Index (IMI) Tobacco and Fossil Fuel Free - Net Dividends
Core Fixed Income	Bloomberg Barclays 1-5 Year US Government/Credit Index
High Yield Fixed Income	Merrill Lynch High Yield Cash Pay Index Fossil Free
Emerging Market Fixed Income	JP Morgan Emerging Markets Bond Index Global Diversified Fossil Free

Private Equity	Russell 3000 + 3*%
Real Estate	NCREIF Fund Index – Open End Diversified Core Equity (ODCE) non lagged
Real Assets	Actual Real Assets Portfolio Return
Private Credit	Actual Private Credit Portfolio Return
Absolute Return	HFRI Fund of Funds Composite
Cash	Bank of America 3-Month US Treasury Bill Index

* The Private Equity benchmark is in transition from Russell 3000 + 2.5% for FY 2021 to Russell 3000 + 3.0% thereafter.

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.

8. 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.

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.

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 OCIO may delay a rebalancing program when the it believes the delay is in the best interest of UCRP.

9. 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 Committee on Investments, Finance and Capital Strategies Committee and Board of Regents on the following items:

1. Asset and Risk Measures and Exposures
2. Investment Performance and Attribution (against benchmarks identified in this Policy)
3. Material Changes to Organization and Investment Strategy
4. Potential Material Issues and Risks
5. Compliance of UCRP with this Policy

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.

On at least an annual basis the CIO will report on the implementation of the UC's Sustainability Framework which will include a discussion on the portfolio's environmental, social, and governance risks considered during the year.

10. POLICY MAINTANENCE

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

11. 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.

12. DISCLOSURES

The Chief Investment Officer ("OCIO") provides investment-related information on UCRP to The Regents' Committee on Investments 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 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

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~~

~~INVESTMENT POLICY STATEMENT~~

~~Approved March 15, 2018~~
~~Replaces version approved March 14, 2013 and amended May 12, 2016~~

~~UNIVERSITY OF CALIFORNIA RETIREMENT 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 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 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~~

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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.~~

~~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~~

~~Investment Implementation Manual~~

~~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~~

~~Approved March 15, 2018~~

~~**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:~~

–	~~**Target Allocation**~~	–	~~**Allowable Ranges**~~	
			~~**Minimum**~~	~~**Maximum**~~
~~Global Equity~~	~~50.0~~	–	~~40.0~~	~~60.0~~
~~US Fixed Income~~	~~13.0~~	–	~~10.0~~	~~16.0~~
~~High Yield Fixed Income~~	~~2.5~~	–	~~0.0~~	~~5.0~~
~~Emerging Mkt Fixed Income~~	~~2.5~~	–	~~0.0~~	~~5.0~~
~~TIPS~~	~~2.0~~	–	~~0.0~~	~~4.0~~
~~Private Equity~~	~~10.0~~	–	~~5.0~~	~~15.0~~
~~Absolute Return~~	~~10.0~~	–	~~0.0~~	~~20.0~~
~~Real Assets~~	~~3.0~~	–	~~0.0~~	~~6.0~~
~~Real Estate~~	~~7.0~~	–	~~2.0~~	~~12.0~~
~~Liquidity~~	~~0.0~~	–	~~0.0~~	~~10.0~~
~~TOTAL~~	~~100%~~	–	–	–
–	–	–	–	–
~~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

Asset Class	**Benchmark**
Global Equity	MSCI All Country World Index (ACWI) Investable Market Index (IMI) Tobacco Free - Net Dividends
Core Fixed Income	Barclays US Aggregate Index
High Yield Fixed Income	Merrill Lynch High Yield Cash Pay Index
Emerging Market Fixed Income	JP Morgan Emerging Markets Bond Index Global Diversified
Treasury Inflation Protected Securities (TIPS)	Barclays US TIPS Index
Private Equity	Russell 3000 + 3% [1]
Absolute Return / Strategic Opportunities	HFRI Fund of Funds Composite
Real Assets	Actual Real Assets Portfolio Return
Real Estate	NCREIF Funds Index – Open End Diversified Core Equity (ODCE), lagged 3 months

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.

[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 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.~~

~~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.~~

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