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**UNIVERSITY OF CALIFORNIA  
RETIREMENT PLAN**

**INVESTMENT POLICY  
STATEMENT**



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

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# 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.

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## 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

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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.

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4. Each External Manager<sup>1</sup> 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<sup>2</sup> 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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<sup>1</sup> "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.

<sup>2</sup> "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.

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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.