

BOARD OF REGENTS
BRIEFING PAPER

1. AGENDA ITEM TITLE: Handbook Revision Statement of Investment Objectives and Policies for the Endowment Funds.

MEETING DATE: December 56, 2019

2. BACKGROUND & POLICY CONTEXT OF ISSUE:

3. SPECIFIC ACTIONS BEING RECOMMENDED OR REQUESTED:

4. IMPETUS (WHY NOW?):

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ii.

Due to the nature of the Investment Assets in which CJA & Russell Investments invest the client portfolio, from time to time, it may be necessary for the portfolio to temporarily exceed or fall below the exposures set forth within the Policy Ranges/Investment Guidelines to facilitate efficient movement between paired transactions of Investment Assets. Such temporary deviations shall not constitute a breach of the Policy Ranges/Investment Guidelines provided that the exposure deviations are rectified within one business day.

b. Roles of Investments

- i. The purpose of Growth Assets (e.g. domestic stocks, foreign stocks, equity hedge funds, private equity, venture capital and growth-oriented debt) is to provide a stream of current income and appreciation of principal that more than offsets inflation. It is recognized that pursuit of this objective could entail the assumption of significant variability in price and returns. Retur00.6b5 (t)-6.6 (ai)-6.6 on. I lpa0.5 (j6.6 (a-2 (e a-2 (.)

that the Fund otherwise falls outside of the ranges described in 4(a) above, the Fund Manager will communicate this breach to the Investment Committee and have a reasonable period of time to bring the Fund back into compliance with the applicable guidelines

5. Benchmarking

- a. The results of the Fund will be compared with the following benchmarks, to be evaluated over varying time horizons:
 - i. Policy Benchmark – rolling three-year periods
 - ii. Simple Benchmark (Risk Equivalent) – rolling five- to ten-year periods (full equity market cycle)
 - iii. Long-Term Financial Objective – rolling ten-year periods
- b. Benchmark definitions:
 - i. The Policy Benchmark represents a passive investment in the Long-Term Policy Target allocation described previously. The table below defines the asset class indices which are weighted by the Long-Term Target allocations at the beginning of each month. The Total Assets Policy Benchmark shall be computed as an asset-weighted blend of the respective Fund Manager Benchmarks listed below:

Allocation	C/A Benchmark	Russell Benchmark
Growth	MSCI All Country World Index (net)*	MSCI All Country World Index (net)*
Diversifiers	0.3 beta-adjusted MSCI ACWI (net)*	0.3 beta-adjusted MSCI ACWI (net)* [LIBOR + 400bps]
Real Assets	One-quarter mix* of: S&P [NA] Global Natural Resources Index/ [S&P-GSCI] Bloomberg Commodity Total Return Index / Alerian MLP Index / FTSE EPRA-NAREIT [Global] Developed RE Index	Public Real Assets: One-third mix of: Bloomberg Commodity Index Total Return/ FTSE EPRA NAREIT Developed RE Index/ S&P Global Infrastructure Index Private Real Assets

6. Monitoring of Objectives and Results

- a. The Fund will be monitored for consistency in each manager's investment philosophy, return relative to objectives, and investment risk. The Fund Manager will provide reports to the System as are necessary including statements detailing all activity in the accounts and quarterly performance reports. Not less than quarterly, the Fund Manager will provide to the System and the Committee Chair a written summary of overall portfolio performance and review of asset allocation in relation to the investment objectives.
- b. All objectives and policies are in effect until modified by the Committee, who will review these at least annually.
- c. If at any time the Fund Manager believes that any policy guideline inhibits investment performance, it is the Fund Manager's responsibility to clearly communicate this view to the Committee.
- d. Effective December 1, 2016, the Fund Managers have been granted full discretion to manage the Fund. Subsequent to the approval of these Guidelines of Investment Policies and Objective, there will be an implementation window of approximately four months to allow for the portfolio to transition from the pre-existing legacy investments into the Fund Manager-managed portfolio. For purposes of assessing Fund Manager performance, the System agrees that the official Fund Manager track record will begin April 1, 2017, after which the Fund Manager will be responsible for the Fund's performance relative to the previously stated return and risk objectives.

7. Investment Restrictions

- a. Liquidity.
 - i. The Fund Managers will opportunistically commit capital to illiquid private investment ("PI") strategies with the [following] long-term target exposures **in the table below**, which will be built gradually over time given the nature of private investments. **Private Investment structures may include fund interests acquired on a primary or secondary basis.**

	C A [Long-Term Target]	Russell [Long Term Target]	Blended Total Assets Long-Term Target
Long Term Targets:			
Private Growth	17%	10%	13.5%
Private Diversifiers	5%	0%	2.5%
Private Real Assets	8%	5%	6.5%
Total Private Investments	30%	15%	22.5%
Not to Exceed Constraints:			3308

- Select and terminate investment managers in accordance with these Guidelines.
- Determine the amount of assets delegated to each investment manager.
- Monitor and report to the Committee Chair and System Staff the performance of each manager, each asset class, and the total portfolio on at least a quarterly basis.
- Communicate to the Investment Committee and System Staff any significant portfolio issues that might arise.
- Administer the Fund's day-to-day investment activities