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Council of University of California Retiree Associations

Investment Guidelines Statement

As of October 28, 2021

1. PURPOSE

The purpose of this Investment Guidelines Statement (“Guidelines” or “IGS”) is to define the objectives and guidelines established for managing the investable assets of the Council of University of California Retiree Associations (CUCRA). The IGS is approved by the CUCRA Council¹, managed by the Executive Committee, and administered by the CUCRA Treasurer.

The investment guidelines consist of the following sections:

1. Purpose
2. Delegation of Responsibilities
3. Investment, Returns, and Risk Objectives
4. Investment Considerations, Monitoring, and Reporting
5. Restrictions
6. Compliance
7. No Right of Action

2. Delegation of Responsibilities

A. Responsibilities of the CUCRA Council

The CUCRA Council delegates direct oversight regarding all investment decisions to the CUCRA Treasurer, who in coordination with the CUCRA Executive Committee, is responsible for the management of the CUCRA Investment Funds Portfolio (“Portfolio”).

¹ Approved: Fall 2021 CUCRA Conference [pending discussion and approval]

B. Responsibilities of the CUCRA Treasurer

The Treasurer is acting in a fiduciary capacity with respect to the Portfolio and is accountable to CUCRA and the Executive Committee for overseeing the investment of all assets in the Portfolio. The Treasurer will administer the Portfolio with the advice, assistance, and direction of the Executive Committee.

In consideration of the foregoing, the Treasurer is responsible to:

1. Oversee the day-to-day operational investment activities of the Portfolio consistent with guidelines established by the IGS and Executive Committee,
2. Contract with any necessary outside service providers, such as investment consultants and financial institutions and other outside professionals, as approved by the Executive Committee,
3. Ensure that the investment institutions adhere to the terms and conditions of their contracts, have no material conflicts of interests with the interests of CUCRA, and have performance monitoring systems sufficient to provide the Executive Committee with timely and accurate and useful information, and
4. Meet periodically with outside service providers to evaluate and assess compliance with investment guidelines, performance, outlook, and investment strategies; and tend to all other matters deemed to be consistent with due diligence with respect to prudent management of the Portfolio.

C. Responsibilities of the Executive Committee

The Executive Committee also acts in a fiduciary capacity with respect to the Portfolio. Executive Committee Members are not held accountable for less than desirable outcomes, rather for adherence to procedural prudence, or the process by which decisions are made in respect to the Portfolio consistent with the IGS. In consideration of the foregoing, the Executive Committee is responsible to:

1. Develop and/or propose recommendations to the Council regarding the Portfolio,
2. Recommend short-term and long-term investment guidelines and objectives,
3. Determine that the Portfolio is prudently and effectively managed by the Treasurer,
4. Seek investment consultants and/or other outside professionals, when necessary,
5. Monitor and evaluate the performance of the Portfolio,
6. Receive and review reports from the Treasurer and investment consultants,
7. Meet at least twice a year for the purpose of reviewing investment strategies, and
8. Convene as necessary to evaluate whether these guidelines, investment activities, risk management controls and processes continue to be consistent with meeting the goals and objectives for the Portfolio's management, as outlined in this IGS.

3. Investment, Return, and Risk Objectives

The goals and objectives of managing and administering the CUCRA Portfolio are:

- A. The Portfolio exists to invest CUCRA's excess operational funds and cash reserves to earn the appropriate return for CUCRA. Short-term and long-term operational needs must be assessed to ensure liquidity. Excess funds beyond those required to ensure liquidity may be transferred to the Portfolio for investment.
- B. The IPS' objectives are to achieve the best return possible with minimal risk of loss of principal, but with the goal of achieving a total return equal to or greater than the University of California Short Term Investment Pool (STIP) rate.
- C. While the objective is the preservation of principal, it is recognized that investment risk cannot be eliminated but should be managed. Risk exposures should be identified, measured, and monitored. The Council seeks a level of risk that is prudent and reasonable to maximize the probability of achieving its overall objective consistent with or greater than the STIP return. The probability of loss of principal should be minimized.

Thus, risk management does not require the elimination of risk, but the balancing of risk and expected return. Risk is intrinsically neither good nor bad; it is a resource used to generate investment returns.

- D. The Portfolio is invested with the objective of finding a balance that primarily preserves the principal invested but recognizes that some risk may be necessary to earn a satisfactory return. Investments will be focused on quality instruments that are diversified among asset classes to help minimize risk. This includes an array of alternative investment vehicles as outlined below (minimal to higher risk):
 - 1. Certificate of Deposits
 - 2. University of California STIP² (as available to CUCRA)
 - 3. Money Market Funds
 - 4. University of California TRIP³ (as available to CUCRA)
 - 5. Mutual Funds
 - 6. Exchange Traded Funds
 - 7. Balanced Portfolio of equities and fixed income
 - 8. Combination

² University of California's Short Term Investment Pool

³ University of California's Total Return Investment Pool

4. Investment Considerations, Monitoring, and Reporting

In making any decision relative to the Portfolio's investment, each of the following factors must be considered, and properly documented for discussion, presentation, and reporting to CUCRA:

1. Return measured against UC's STIP rate,
2. General economic conditions,
3. Possible effect of inflation,
4. Portfolio's overall investment,
5. Expected total return from income and/or appreciation,
6. Current cost and market value, and
7. Anticipated future inflow and outflow.

5. RESTRICTIONS

There are no restrictions regarding the type of investments that CUCRA can hold.

6. COMPLIANCE

The IPS is to be reviewed at least once every two years. Revisions may be recommended by the CUCRA Council.

7. NO RIGHT OF ACTION

The Investment Guidelines Statement 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 CUCRA, its Officers, or individual CUCRA Council members.