
UNIVERSITY OF CALIFORNIA RETIREMENT PLAN

[UCRP]

INVESTMENT POLICY STATEMENT

Effective: July 1, 2025, Amended: July 15, 2025

Replaces the UCRP Investment Policy Statement effective July 1, 2020



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 committees, the Chief Investment Officer and investment advisors.

Chief Investment Officer

The Chief Investment Officer (“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

UC Investments 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.

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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

UC Investments 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.

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UC Investments uses a proprietary sustainability framework to provide core universal principles that inform the decisions and assist in the process of investment evaluation. UC Investments manages the UCRP consistent with these sustainability principles. The Framework can be found on the UC Investments 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.

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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. 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. UC Investments 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.

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4. 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 UC Investments. The actual portfolio exposures will deviate from the Strategic Asset Allocation as a result of price drifts, opportunity set, and value adding activities of UC Investments. 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 it 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	Maximum
Public Equity	57.0	40.0	70.0
Core Fixed Income	14.0	8.0	20.0
High Yield Fixed Income	3.0	0.0	10.0
Private Equity	12.0	5.0	20.0
Real Estate	7.0	2.0	20.0
Real Assets	3.0	0.0	10.0
Private Credit	3.0	0.0	10.0
Cash	1.0	0.0	5.0
TOTAL	100		
Combined Private Investments⁽¹⁾	25.0	7.0	60.0
Combined Public Fixed Income⁽²⁾	17.0	8.0	30.0

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

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5. 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 UC Investments.
- **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 UC Investments.

UC Investments 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, UC Investments 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 UC Investments.

6. 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:

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Table 2

Asset Class	Benchmark
Public Equity	MSCI All Country World Index (ACWI) Investable Market Index (IMI) Tobacco and Fossil Fuel Free - Net Dividends
Core Fixed Income	Bloomberg 1-5 Year US Government/Credit Index
High Yield Fixed Income	ICE BofA High Yield Cash Pay Index 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	75% S&P UBS Leveraged Loan Index + 25% ICE BofA BB-B US High Yield Constrained Fossil Free Index +1.5%
Cash	ICE BofA 3-Month US Treasury Bill Index

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.

7. 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.

UC Investments will monitor the actual asset allocation. The Board directs UC Investments 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.

UC Investments shall assess and manage the trade-off between the cost of rebalancing and the active risk associated with the deviation from policy asset weights. UC Investments may delay a rebalancing program when the CIO believes the delay is in the best interest of UCRP.

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8. MONITORING AND REPORTING

UC Investments is responsible for monitoring the portfolio and investment managers on an ongoing basis. UC Investments should monitor and report to the Investments 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.

9. 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 Agenda for approval by the Board.

10. 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.

11. DISCLOSURES

The Chief Investment Officer ("CIO") 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.

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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.