

---

**UNIVERSITY OF CALIFORNIA  
SHORT TERM INVESTMENT POOL  
[ UC LIQUIDITY ]**

**INVESTMENT POLICY  
STATEMENT**

Effective: July 1, 2020

Replaces the STIP Investment Policy Statement and STIP Asset and Risk Allocation Policy effective March 15, 2018

---



# UNIVERSITY OF CALIFORNIA SHORT TERM INVESTMENT POOL INVESTMENT POLICY STATEMENT

## **PURPOSE**

The purpose of this Investment Policy Statement (“Policy” or “IPS”) is to define the objectives, policies and guidelines for management and oversight of the University of California (“UC”) Short Term Investment Pool (“STIP”). The management of STIP 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. Monitoring and Reporting
8. Policy Maintenance
9. No Right of Action
10. Disclosures
11. Other Policies

## **1. ROLES AND RESPONSIBILITIES**

### **Board of Regents**

The Board defines the goals and objectives of STIP 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 (“CIO”, “Office of the Chief Investment Officer”, “OCIO” or “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 STIP 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 STIP. The Investment Manager will accept assets and comply 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.

# UNIVERSITY OF CALIFORNIA SHORT TERM INVESTMENT POOL INVESTMENT POLICY STATEMENT

## 2. OBJECTIVES

### Overall Objective

STIP is a cash investment pool established by the Board of Regents with the objective of providing a high quality liquid investment vehicle for short-term liquidity needs. STIP's primary objective is to preserve capital and to earn investment income consistent with interest available on low-risk investments. The STIP is available to all University groups and affiliates.

### Return Objective

STIP seeks to maximize returns consistent with its primary objective of safety of principal and liquidity, and cash flow requirements.

### Risk Objective

STIP seeks to preserve capital and avoid negative returns over any one-year time horizon.

### Sustainability Objective

STIP will be managed in a manner that balances meeting the needs of current investors without compromising the needs of future investors. STIP will consider sustainability in both risk assessment and investment due diligence.

## 3. INVESTMENT GUIDELINES

### Permitted Investments

STIP will primarily invest in high quality, liquid, short duration US dollar-denominated bills, notes and cash equivalents. The following is a list of the investment classes allowed in STIP:

1. Short term fixed income instruments (having remaining maturity of less than or equal to 12 months)
  - a. Obligations issued or guaranteed by the U.S. Federal Government, U.S. Federal Agencies or U.S. government-sponsored corporations and agencies such as US Treasury and Agency bills and notes.
  - b. Certificates of deposit (CD)
  - c. Time deposit (TD)
  - d. Bankers acceptances
  - e. Commercial paper
  - f. Obligations issued or guaranteed by U.S. local, city and State governments and agencies which are pre-funded by US Treasury Securities in escrow.
  - g. Money market funds managed by the custodian

### Investment Restrictions

The Regents have established that the 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

## **UNIVERSITY OF CALIFORNIA SHORT TERM INVESTMENT POOL INVESTMENT POLICY STATEMENT**

investment managers annually and whenever changes occur.

Employing economic leverage in the portfolio through borrowing, derivatives, or forward-settled transactions (beyond regular settlement) is prohibited.

### **4. STRATEGIC ALLOCATION**

The portfolio will be invested in marketable, publicly traded, high quality short term fixed income instruments, notes and debentures denominated in U.S. dollars and cash (or cash equivalent) instruments.

### **5. RISK MANAGEMENT**

The following limitations will apply in order to maintain investment and liquidity risk within acceptable ranges:

#### 1. Credit risk

- a) No more than 40% of the portfolio's investments should be invested in securities other than US Treasury and Agency bills and notes, and US Government money market funds managed by the custodian.
- b) No more than 20% of the portfolio's investments should be invested in US Government money market funds managed by the custodian. Money market funds should have a rating of AAAm/AAAmf or equivalent by the NRSO's.
- c) Commercial Paper must have a rating of at least A-1, P-1, or F-1
- d) Investments should exhibit a credit quality of A (or equivalent) or better, as determined by one of the NRSRO's Split-rated credits are considered to have the lower credit rating. US Treasury and Agency bills and notes are exempt from this requirement.
- e) No more than 5% of the portfolio's allocation to commercial paper may be invested in any single issuer. This guideline may be exceeded on a temporary basis due to unusual cash flows, up to a limit of 10%, for a period not to exceed 30 days.
- f) Except for securities issued by the US Treasury or Agencies of the US Government, no more than 3% of the portfolio's market value may be invested in any single issuer.

#### 2. Liquidity risk

- a) The portfolio's investments in aggregate of any security may not exceed 15% of that security's outstanding par value at time of purchase, without a written exception approved by the Chief Investment Officer.

### **6. BENCHMARK**

The STIP Benchmark will be a 50/50 weighted average of the yield on a constant maturity One Year US Treasury Note and US 30 day Treasury Bills.

# **UNIVERSITY OF CALIFORNIA SHORT TERM INVESTMENT POOL INVESTMENT POLICY STATEMENT**

## **7. 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 Board of Regents and designated sub-committees on the following items.

1. Asset Allocation and Risk Measures and Exposures
2. Investment Performance and Attribution (against the STIP Benchmark)
3. Material Changes to Investment Strategy
4. Potential Material Issues and Risks
5. Compliance of STIP with this Policy

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.

## **8. POLICY MAINTENANCE**

The Policy should be reviewed at least annually and updated as necessary. Revisions may be recommended by the OCIO, Investments Subcommittee, Finance and Capital Strategies Committee, and approved by the Board of Regents.

## **9. 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.

## **10. DISCLOSURES**

The Chief Investment Officer provides investment-related information on STIP 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.

## **11. OTHER POLICIES**

STIP will follow the proxy voting and investment valuation policies developed and approved by the Office of the Chief Investment Officer.