



March 3, 2025

Commissioner Geoffrey Landward
Utah System of Higher Education
Two Gateway
60 South 400 West
Salt Lake City, Utah 84101-1284

Subject: Proposed Revisions to Utah State University Investment Policy and Investment Guidelines

Dear Commissioner Landward:

Following Utah System of Higher Education Policy R541, Management and Reporting of Institutional Investments, Utah State University desires approval to amend USU Policy 517 Investment and related Investment Guidelines. The investment policy and guidelines are reviewed internally on an annual basis. Based on this review, the following revisions are necessary.

USU Policy 517 Investment

- Adopts Responsibilities and References sections and updates outdated references.
- Section 2.3 clarifies that when an illiquid security is donated, it may be required to retain the security until maturity or until such time when a sale is prudent.
- Section 2.4 clarifies the involvement of USU Board of Trustees and Foundation Board members on Investment Advisory Committees.
- Section 6.3 expands criteria to serve as a public treasurer.

Cash Management Investment Pool Guidelines

- Updates outdated references.

Defensive Return Pool Investment Guidelines

- Allows limited exposure to common equity markets.

Endowment Pool Investment Guidelines

- Outlines the maximum exposure to illiquid assets.
- Adopts Long Term Government Bonds and Private Debt as permissible asset classes.
- Removes Commodities as a permissible asset class.
- Revises asset allocation ranges, specifically, increases the allowable range for Alternative Assets.

To clearly identify the revisions, both the redlined and final versions of the policy and guidelines are included.

Utah State University Board of Trustees approved the revisions to Policy 517 Investment and Investment Guidelines during the January 10, 2025 meeting.

We appreciate your support and request that this item be an action item on the next Board of Higher Education meeting agenda.

Sincerely,

A handwritten signature in black ink, appearing to read 'D. Cowley', with a stylized flourish at the end.

David T. Cowley
Vice President for Finance & Administrative Services

cc: Nate Talley, Deputy Commissioner
Al Smith, Interim President
Kerri Davidson, VP for Institutional Affairs & Chief of Staff

University Policy 517 Investment Policy

Category: Operating

Subcategory: General

Covered Individuals: All USU Employees

Responsible Executive: Vice President for Finance and Administrative Services

Policy Custodian: Office of the Vice President for Finance and Administrative Services, Vice President

Last Revised: [2025/01/10](#)

Previous USU Policy Number: N/A

517.1 PURPOSE AND SCOPE

To provide for the implementation of and compliance with the State Money Management Act (MMA), the Rules of the State Money Management Council, the Uniform Prudent Management of Institutional Funds Act (UPMIFA), and the Utah System of Higher Education Policy R541, Management and Reporting of Institutional Investments wherein:

- (1) Institutional Funds are governed by UPMIFA.
- (2) Operating Funds are governed by the State Money Management Act

517.2 POLICY

2.1 Authority to Manage and Invest Funds

~~The President of the University shall recommend for authorization by the Board of Trustees, employees of the University to serve as Public Treasurers or designee (as defined by the State Money Management Act). The Vice President for Finance and Administrative Services, as the Chief Business Officer and Treasurer for the University and as the University official designated by the Board of Trustees to serve as the University's Public Treasurer (as defined by the State Money Management Act), has the~~

~~Authority to manage investment activities, engage in, and approve investments. are authorized as follows: Other University individuals with appropriate knowledge and experience may also be designated by the Board of Trustees as Public Treasurer.~~

Responsibility	Cash Management Investment Pool (CMIP)	Defensive Return Pool (DRP)	Endowment Pool (EP)
Manage and Engage in Investments	Manager Treasury Services	Associate Vice President for Finance and Administrative Services	External Investment Managers

Oversight	Vice President for Finance and Administrative Services	DRP Investment Advisory Committee	EP Investment Advisory Committee with assistance from Investment Advisor
Primary Approval	Vice President or designee	Vice President	Vice President
2nd Level Approval	President or designee	President or designee	President or designee

To ratify ~~A Notification of Investment purchases~~, Form will be completed to signify the Public Treasurer and the President or designee will complete and sign a Notification of Investment Form ~~ratifying approval of investment purchases.~~

No unauthorized person may engage in an investment transaction on behalf of Utah State University except as provided under the terms of this policy.

2.2 Investment Pools or Portfolios

- (1) Similar funds may be commingled for investment and/or reporting purposes unless specifically prohibited by statute, donor stipulation, or bond covenant.
- (2) Investment pools or portfolios may be established to:
 - a. Ensure compliance with the appropriate specific provisions of the State Money Management Act and Rules of the State Money Management Council, Uniform Prudent Management of Institutional Funds Act, or USHE Utah System of Higher Education Policy R541, Management and Reporting of Institutional Investments, under which the investment pool or portfolio will be governed.
 - b. Ensure compliance with written donor directives relating to gifts, devices, or bequests (Section see 4.2.3 Donated Securities).
 - c. Ensure compliance with any legal restrictions, such as bond covenants or trust agreements.
 - d. Meet investment objectives as outlined in the Cash Management Investment Pool Guidelines, Defensive Return Pool Investment Guidelines, or the Endowment Pool Investment Guidelines to help ~~provide funding for~~ the various operating or educational needs within the University.
- (3) Certain funds or securities may be separately invested, rather than commingled in an investment pool, if one or more of the following conditions exist:
 - a. A donor has provided written directions as to the investment of, or that restricts the sale of, their donation ~~in that would it~~ makes it impractical to commingle with other securities or funds in other investment pools.
 - b. The Vice President for Finance and Administrative Services approves such an investment, as long as such an investment is in accordance with the appropriate governing regulations.

2.3 Donated Securities

- (1) Securities received by gift, device, or bequest, whether outright or in trust, shall be sold as soon as practical in accordance with the Rules of the Money Management Council, and USHE Utah System of Higher Education Policy R541, Management and Reporting of Institutional Investments unless:
 - a. Restrictions specified by the donor ~~in through~~ a written instrument contain directions for investing them, as to the investment thereof. The funds embodied within the gift shall be invested in accordance with those directions, therein. The University will periodically

review [the](#) donor's written directions to determine if any donated securities being held can be sold or if they should be written off if the value is deemed immaterial.

[b.](#) Such securities are restricted from sale because they are not registered with the Securities and Exchange Commission and/or lack a written instrument as per the [donor's](#) intentions ~~of the donor~~. In such cases, they may be retained as a qualified investment. When the terms of the restrictions are no longer applicable, the securities shall be sold or written off in accordance with this section.

~~b.c.~~ [Such securities are illiquid and cannot be immediately sold at net asset value. Such securities may be held until maturity or until such time when a sale is prudent.](#)

~~(2) Holding such securities as noted above are deemed to be in compliance with the Rules of the State Money Management Council, and Utah State Board of Regents Policy R541, Management and Reporting of Institutional Investments.~~

2.4 Investment Advisory Committees

The Investment Advisory Committees of the Endowment Pool ~~and Defensive Return Pool~~ shall include not more than two members of the [Utah State University](#) Board of Trustees, [two members of the Utah State University Foundation Board](#), and no less than two independent investment management professionals.

[The Investment Advisory Committee of the Defensive Return Pool shall include not more than two members of the Utah State University Board of Trustees and no less than two independent investment management professionals.](#)

Non-University committee members shall be invited to serve a five-year term and may be invited to serve a second five-year term.

2.5 Reporting, Audit, & Conflict of Interest Requirements

Investment reports, [annual](#) audits, and conflict of interest requirements [will follow](#) ~~are in accordance with the~~ Utah System of Higher Education Policy R541, Management and Reporting of Institutional Investments.

517.3 RESPONSIBILITIES

3.1 [President](#)

[Review and sign Notification of Investment Forms to ratify investment purchases.](#)

3.2 [Public Treasurer](#)

[Manage and invest funds in accordance with this policy and provide investment reports to the Utah State University Board of Trustees.](#)

517.4 REFERENCES

- [Utah System of Higher Education Policy R-541 Management and Reporting of Institutional Investments](#)
- [Utah Code Title 51, Chapter 7, 5 State Money Management Act](#)
- [Rules of the State Money Management Council](#)
- [Utah Code Title 51, Chapter 8, Uniform Prudent Management of Institutional Funds Act](#)

517.5 RELATED USU POLICIES

- ~~Utah State University~~ [USU Policy 545 Individual Conflicts of Interest](#).

517.6 DEFINITIONS

- **Institutional Fund.** ~~Means a~~ fund that is primarily for appreciation or the production of income, and intended to be held in perpetuity. Institutional Funds do not include: program-related assets which are assets held to accomplish the purpose of the institution and not primarily for appreciation or the production of income.
- ~~Operating Funds.~~ Funds not primarily for appreciation or the production of income. Money used ~~for to operate the operation of~~ a higher education institution that is received from state appropriations, government contracts and grants, or tuition and fees collected from students.
- **Public Treasurer.** Utah State University [employee who has been designated by the Board of Trustees as the University's Public Treasurer as defined in the State Money Management Act and who has the responsibility and authority](#) ~~official or designee who has the responsibility~~ for the safekeeping and investment of public funds. [The criteria to serve as a public treasurer include, without limitation \(1\) demonstrated investment knowledge and experience through professional endeavors and/or through obtaining financial certifications; 2\) integrity and strong moral character; 3\) the ability to build relationships with investment, banking, and other personnel; and 4\) possess financial acumen with proven ability to educate others on investments.](#)

Information below is not included as part of the contents of the official policy. It is provided only as a convenience for readers/users and may be changed at any time by persons authorized by the president.

RESOURCES

Procedures

- None

Guidance

- [Cash Management Investment Pool Guidelines](#)
- [Defensive Return Pool Investment Guidelines](#)
- [Endowment Pool Investment Guidelines](#)

Related Forms and Tools

- None

Contacts

- Vice President of Finance and Administrative Services

POLICY HISTORY

Original issue date: 2006/10/26

| Last review date: [2025/01/10](#)~~2016/11/18~~

| Next scheduled review date: [2028/01/01](#)

Previous revision dates: 2022/06/24, 2016/11/18, 2014/02/19

Cash Management Investment Pool Investment Guidelines

I. Purpose

The purpose of this document is to set forth the objectives and guidelines of the Utah State University Cash Management Investment Pool (CMIP). The CMIP is for the investment of Operating Funds and is to meet the short-term operating and capital needs of the University.

II. Definitions

- a. Operating Funds
 - Funds not primarily for appreciation or the production of income.
 - Money used for the operation of a higher education institution that is received ~~by the higher education institution~~ from state appropriations, government contracts and grants, or tuition and fees collected from students.

III. Investment Objectives

The primary investment objectives of the Cash Management Investment Pool are:

- a. Safety of principal
- b. Maintenance of liquidity
- c. Generate optimal earned income for short-term needs

IV. Investment Guidelines

- a. Governing Regulations
 - The Pool shall be invested to comply with the State of Utah Money Management Act, [and](#) the Rules of the State Money Management Council.
- b. Eligible Investments
 - Funds shall only be invested in authorized investments in accordance with the State of Utah Money Management Act, Section 51-7-11, "Authorized deposits or investments of Public Funds".

V. References

- ~~Utah Code~~-Title 51, Chapter 7, ~~(State Money Management Act)~~
- ~~Utah Administrative Code~~-Title R628 ~~(Rules of the State Money Management Council)~~
- Utah [System of Higher Education](#) ~~State Board of Regents~~ Policy R541 Management and Reporting of Institutional Investments

Defensive Return Pool Investment Guidelines

I. Purpose

The purpose of this document is to set forth the objectives and guidelines of the Utah State University Defensive Return Pool for ~~the~~ implementation of the investment strategy.

II. Definitions

a. Institutional Fund

- Means a fund that is primarily for appreciation or the production of income, and intended to be held in perpetuity.
- Institutional Funds do not include: program-related assets which are assets held to accomplish the purpose of the institution and not primarily for appreciation or the production of income.

b. Internally Designated Funds Functioning as Endowments

- Funds, regardless of source, whose corpus is intended to be held in perpetuity by internal designation.

III. Investment Objectives

The primary investment strategy of the Defensive Return Pool is designed to provide stable current income regardless of interest rate fluctuations.

a. Risk Objectives~~Considerations~~

- To accept the minimum level of risk required to achieve the Defensive Return Pool's return objective as stated below.
- To minimize the likelihood of experiencing ~~lower than expected~~ negative returns over ten-year periods.
 - ~~To remain defensive by avoiding the risk of common equity markets.~~
- ~~iv.~~ iii. To use diversification, where possible, to minimize exposure to company and industry specific risks in the aggregate investment portfolio.

b. Return Objectives

- To achieve the highest reasonably prudent annual income.
- Over a ten-year period, out-perform the average annual return of the CMIP by a minimum of 2%.

IV. Investment Constraints

a. Legal and Regulatory

The Defensive Return Pool Investment Advisory Committee intends to manage the assets of the Defensive Return Pool in accordance with the Uniform Prudent Management of Institutional Funds Act (UPMIFA).

b. Time Horizon

The assets of the Defensive Return Pool will be invested with a long-term time horizon, typically 20 years or more, consistent with the long-term mission of Utah State University.

c. Liquidity

Given Utah State University's long-term horizon, liquidity for the purpose of spending will be a moderate concern. The Investment Advisory Committee will regularly monitor liquidity needs, spending projections, and the impact of changes in regulations or other circumstances.

d. Tax Considerations

Utah State University is a tax-exempt entity. Therefore, investments and strategies will be evaluated only on the basis of expected risks and potential returns.

V. Risk and Return Considerations

The Defensive Return Pool Investment Advisory Committee recognizes the risks associated with investing in common public equity markets and ~~will avoid investing in it~~ will generally have minimal exposure to such markets. Since the majority of the portfolio will be invested in fixed income or fixed income-like investments, senior debt selected for investment at the time of purchase will have an upper medium grade rating or better. Subordinated debt, hybrid bonds, and preferred equity will have an investment grade rating. All ratings must be from a Nationally Recognized Statistical Rating Organization. If two or more credit ratings are available, then at least two ratings must be as stated above. If a security is downgraded below the minimum threshold after the time of purchase, the Defensive Return Pool Investment Advisory Committee shall retain discretion to either hold or sell the investment prior to maturity.

VI. Diversification

The Defensive Return Pool Investment Advisory Committee recognizes that an important element of risk control is diversification. Therefore, investments will be allocated across multiple companies and industries and across many individual holdings.

VII. Asset Allocation

The Defensive Return Pool Investment Advisory Committee recognizes that the allocation of monies to certain asset classes will be the major determinant of the Defensive Return Pool's return and risk experience over time. Therefore, the Defensive Return Pool Investment Advisory Committee will allocate investments across certain asset classes that, based on historical and expected returns and risks, provide the highest likelihood of meeting the Defensive Return Pool's investment objectives.

a. Permissible Asset Classes

Assets in the Defensive Return Pool will be invested primarily in fixed income, fixed income-like, and alternative investments. Because investment in any particular asset class may or may not be consistent with the investment objectives of the Defensive Return Pool, the Defensive Return Pool Investment Advisory Committee has specifically indicated in Appendix A those asset classes that may be utilized when investing Defensive Return Pool assets.

b. Long-Term Target Allocations

Based on the investment objectives and constraints of the Defensive Return Pool, and on the expected behavior of the permissible asset classes, the Defensive Return Pool Investment Advisory Committee will work with the investment advisor to specify a long-term target allocation for each broad class of permissible assets. These targets will be expressed as a percentage of the Defensive Return Pool's overall market value, surrounded by a band of permissible variation ~~resulting from market forces.~~ Please see (Appendix B).

The long-term target allocations are intended as strategic goals, not short-term imperatives. Thus, it is permissible for the overall Defensive Return Pool's asset allocation to deviate from the long-term target, as would likely occur during asset class restructurings, and other temporary changes in the Defensive Return Pool.

c. Rebalancing

The specific plan for rebalancing will identify those assets that can be shifted at the lowest possible risk and cost, if the rebalancing cannot be accomplished solely by allocating contributions and [or making](#) withdrawals.

VIII. Review of Investment Policy, Asset Allocation, and Performance

The Investment Policy will be reviewed at least annually by the Defensive Return Pool Investment Advisory Committee to ensure that the objectives and constraints remain relevant. However, the Defensive Return Pool Investment Advisory Committee recognizes the need for a stable long-term policy for the Defensive Return Pool, and major changes to this policy will be made only when significant developments occur.

The Defensive Return Pool Investment Advisory Committee will specifically evaluate the performance of the Defensive Return Pool relative to its objectives and to the returns available from the capital markets during the period under review.

IX. Investment Costs

The Investment Advisory Committee intends to monitor and control investment costs.

X. References

- a. ~~Uniform Prudent Management of Institutional Funds Act (UPMIFA)~~, Title 51, Chapter 8, [Uniform Prudent Management of Institutional Funds Act \(UPMIFA\)](#) ~~Utah Code Annotated 2007~~.
- b. Utah [System of Higher Education](#), ~~State Board of Regents~~ Management and Reporting of Institutional Investments Policy (R541)

APPENDIX A

PERMISSIBLE ASSET CLASSES

Asset Class	Broad Asset Class
Preferred Stock	Global Equity
<u>Global Equities</u>	<u>Global Equity</u>
Bonds and Notes	Fixed Income
TIPS	Inv. Grade Fixed Income
Cash/Short Duration Bonds	Inv. Grade Fixed Income
Private Equity	Alternative Asset
Real Estate	Alternative Asset
Natural Resources	Alternative Asset
Infrastructure	Alternative Asset
Commodities	Alternative Asset
Hedge Funds	Alternative Asset

APPENDIX B

ASSET ALLOCATION TARGETS

Broad Asset Class	Target (%)	Range (%)
Fixed Income (Including CMIP)	<u>65%</u> 70%	50-100%
Fixed Income <i>like</i> (Preferred Stocks)	<u>10%</u> 15%	0-25%
Alternatives	15%	0-25%
<u>Global Equity</u>	<u>10%</u>	<u>0-20%</u>
PTIF / Cash	0%	0-20%

Endowment Pool Investment Guidelines

I. Purpose

The purpose of this document is to set forth the guidelines, goals, and objectives of the Utah State University Endowment Pool for ~~the~~ implementation of [the](#) investment strategy.

The Endowment Pool is intended to provide financial stability and permanent funding for current and future mission-based initiatives. Investment guidelines are crucial to the long-term success of the Endowment Pool. As such, these guidelines are developed with the following goals in mind:

- To clearly and explicitly establish the objectives and constraints that govern the investment of Endowment Pool assets;
- To establish a long-term target asset allocation that has a high likelihood of meeting investment objectives given the explicit constraints.

II. Definitions

a. Institutional Fund

- A fund that is primarily for appreciation or the production of income, and intended to be held in perpetuity.
- Institutional Funds do not include: program-related assets which are assets held to accomplish the purpose of the institution and not primarily for appreciation or the production of income.

b. True Endowment

- A true endowment is defined as an endowment in which the donor stipulates that the corpus must be held inviolate and in perpetuity and invested to generate income to be spent for a specific purpose.

c. Internally Designated Funds Functioning as Endowments

- Funds, regardless of source, whose corpus is intended to be held in perpetuity by internal designation.

III. Investment Objectives

The investment strategy of the Endowment Pool is designed to ensure the prudent investment of funds in such a manner as to provide real growth of assets over time while protecting the value of the assets from undue volatility or risk of loss.

a. Risk Objectives

- To accept a level of risk as required to achieve the Endowment Pool's return objective as stated below.
- To structure the portfolio to have a low likelihood, [under 10% probability](#), of experiencing a loss over any five-year period.

- To use extensive diversification to reduce exposure to company and industry specific risks within the aggregate investment portfolio.
- To the extent possible, reduce the annual volatility in the asset base that supports the level of spending.

b. Return Objectives

- In a manner consistent with the goals stated in Section I above, to achieve the highest, reasonably prudent real return possible. Specifically, the objective is to achieve an average annual net-of-fee return no less than the sum of the spending rate (outlined in Section V), annual operating expenses, and the annual rate of inflation.
- To protect the corpus of assets in real (i.e., inflation adjusted) terms. ~~Specifically, to achieve an average annual net-of-fee return no less than the sum of the spending rate (outlined in Section V), annual operating expenses, and the annual rate of inflation.~~

IV. Investment Constraints

a. Legal and Regulatory

The Investment Advisory Committee intends to manage the assets of Utah State University at all times in accordance with the Uniform Prudent Management of Institutional Funds Act (UPMIFA).

b. Time Horizon

The assets of the Endowment Pool will be invested with a long-term time horizon, generally twenty years or more, consistent with the long-term mission of Utah State University.

c. Liquidity

Given Utah State University's long-term horizon, liquidity for the purpose of spending will be a moderate concern. The Investment Advisory Committee will regularly monitor liquidity needs, spending projections, and the impact of changes in regulations or other circumstances. The Endowment Pool will have a maximum of 40% exposure to illiquid assets, defined as those assets that do not offer liquidity on at least a quarterly basis.

d. Tax Considerations

Utah State University is a tax-exempt entity. Therefore, investments and strategies will be evaluated only on the basis of expected risks and potential returns. Unrelated Business Taxable Income (UBTI) will be minimized when possible.

V. Spending Policy

For True Endowments, Utah State University aims to withdraw, for the spendable purpose(s) described in the gift agreement, no more than 5% of the average Endowment Pool market value for the preceding three fiscal years.

In order to ensure a stable and predictable level of spending from year-to-year, fluctuations in annual investment returns will be "smoothed" by using a 12-quarter moving average of the Endowment Pool's market value for the three preceding fiscal years.

The University may withdraw an advancement fee from the Endowment Pool for the purpose of supporting on-going Advancement efforts. This fee will be based upon a budget approved by the President and will not exceed 1½ percent of the 12-quarter moving average of the portfolio fair market value for the three preceding fiscal years, ~~with a budget lead time of one year.~~

Within these constraints, the Investment Advisory Committee recognizes that the amount withdrawn from the Endowment Pool for disbursements should be reviewed on an annual basis.

VI. Risk and Return Considerations

The Investment Advisory Committee recognizes the risks associated with investing in the capital markets (market risks), and will reduce wherever possible those risks for which Utah State University is unlikely to be compensated (non-market or diversifiable risks).

VII. Diversification

The Investment Advisory Committee recognizes that an important element of risk control is diversification. Therefore, investments will be allocated across multiple asset classes, chosen in part for their low correlation of returns. Within each asset class, the Investment Advisory Committee will seek to distribute investments across many individual holdings, thus expecting to further reduce volatility.

VIII. Asset Allocation

The Investment Advisory Committee recognizes that the allocation of monies to various asset classes will be the major determinant of the Endowment Pool's return and risk experience over time. Therefore, the Investment Advisory Committee will allocate investments across those asset classes that, based on historical and expected returns and risks, provide the highest likelihood of meeting the Endowment Pool's investment objectives.

a. Permissible Asset Classes

Because an investment in any particular asset class may or may not be consistent with the investment objectives of the Endowment Pool, the Investment Advisory Committee has specifically indicated in Appendix A those asset classes that may be utilized when investing Endowment Pool assets.

b. Long-Term Target Allocations

Based on the investment objectives and constraints of the Endowment Pool, and on the expected behavior of the permissible asset classes, the Investment Advisory Committee will work with the Investment Advisor to specify a long-term target allocation for each class of permissible assets. These targets will be expressed as a percentage of the Endowment Pool's overall market value, surrounded by a band of permissible variation ~~resulting from market forces~~.

The long-term target allocations are intended as strategic goals, not short-term imperatives. Thus, it is permissible for the overall Endowment Pool's asset allocation to deviate from the long-term target, as would likely occur during manager transitions, asset class restructurings, [market fluctuation](#), and other temporary changes in the Endowment Pool. Deviations from target [ranges](#) that occur due to capital market changes are discussed below.

Broad asset allocation targets are indicated in Appendix B.

c. Rebalancing

In general, cash flows to and from the Endowment Pool will be allocated in such a manner as to move each asset class toward its target allocation. [Investment Advisory Committee input will be solicited if a rebalancing action would be outside the general purpose, as stated.](#)

The Investment Advisory Committee recognizes that, periodically, market ~~forces~~[fluctuations](#) may move the Endowment Pool's allocations outside the target ranges. The Investment Advisory Committee also recognizes that failing to rebalance the allocations could unintentionally change the Endowment Pool's structure and risk posture. However, the Investment Advisory Committee understands that constant rebalancing could result in a significant increase in explicit and implicit trading costs to the Endowment Pool. Consequently, the process of rebalancing allocations will [be subjective and](#) occur periodically.

On at least an annual basis, if any allocation is outside the specified target range, assets will be shifted to return the strategy to the target range. The specific plan for rebalancing will identify those assets that can be shifted-, recognizing possible risks and costs, if the rebalancing cannot be accomplished solely by allocating contributions and withdrawals.

IX. Review of Investment Policy, Asset Allocation, and Performance

The Investment Policy will be reviewed at least annually by the Investment Advisory Committee to ensure that the objectives and constraints remain relevant. However, the Investment Advisory Committee recognizes the need for a stable long-term policy for the Endowment Pool, and major changes to this policy will be made only when significant developments occur.

The Investment Advisory Committee will specifically evaluate the performance of the Endowment Pool relative to its objectives and to the returns available from the capital markets during the period under review. In general, the Investment Advisory Committee will utilize relative, rather than absolute, benchmarks in evaluating performance.

X. Investment Costs

The Investment Advisory Committee intends to monitor and control investment costs.

XI. Investment Manager and Advisor Performance

Primary review of external manager performance will be the responsibility of the [Investment Advisor](#). Primary review of [Investment Advisor](#) performance will be the responsibility of the Investment Advisory Committee.

XII. References

- ~~Uniform Prudent Management of Institutional Funds Act (UPMIFA)~~, Title 51, Chapter 8 [Uniform Prudent Management of Institutional Funds Act \(UPMIFA\)](#).
- Utah [System of Higher Education](#) ~~State Board of Regents~~ Policy R-541, Management and Reporting of Institutional Investment.

Appendix A

Permissible Asset Classes

Asset Class	Broad Asset Class
Public Domestic Equity	Global Equity
Public Foreign Equity	Global Equity
Emerging Market Equity	Global Equity
Investment Grade Bonds	Inv. Grade Fixed Income
TIPS	Inv. Grade Fixed Income
Cash/Short Duration Bonds	Inv. Grade Fixed Income
Long Term Government Bonds	Inv. Grade Fixed Income
High Yield Bonds	Opportunistic Fixed Income
Bank Loans	Opportunistic Fixed Income
Emerging Markets Debt	Opportunistic Fixed Income
Private Equity	Alternative Asset
Private Debt	Alternative Asset
Real Estate	Alternative Asset
Natural Resources	Alternative Asset
Infrastructure	Alternative Asset
Commodities	Alternative Asset
Hedge Funds	Alternative Asset

Appendix B

Broad Asset Allocation Targets

	Target* (%)	Range (%)
Global Equity	47 <u>48</u>	35-55
Investment Grade Fixed Income	12 <u>11.5</u>	10-20 <u>5-25</u>
Opportunistic Fixed Income	12 <u>7.5</u>	10-20 <u>0-15</u>
Alternative Assets	29 <u>33</u>	10-30 <u>20-45</u>

- Targets [are a guide and](#) may be revised from time-to-time by recommendation of the Investment Advisory Committee within the established policy range.

University Policy 517 Investment Policy

Category: Operating

Subcategory: General

Covered Individuals: All USU Employees

Responsible Executive: Vice President for Finance and Administrative Services

Policy Custodian: Office of the Vice President for Finance and Administrative Services, Vice President

Last Revised: 2025/01/10

Previous USU Policy Number: N/A

517.1 PURPOSE AND SCOPE

To provide for the implementation of and compliance with the State Money Management Act (MMA), the Rules of the State Money Management Council, the Uniform Prudent Management of Institutional Funds Act (UPMIFA), and the Utah System of Higher Education Policy R541, Management and Reporting of Institutional Investments wherein:

- (1) Institutional Funds are governed by UPMIFA
- (2) Operating Funds are governed by the State Money Management Act

517.2 POLICY

2.1 Authority to Manage and Invest Funds

The Vice President for Finance and Administrative Services, as the Chief Business Officer and Treasurer for the University and as the University official designated by the Board of Trustees to serve as the University's Public Treasurer (as defined by the State Money Management Act), has the authority to manage investment activities and approve investments. Other University individuals with appropriate knowledge and experience may also be designated by the Board of Trustees as Public Treasurer.

To ratify investment purchases, the Public Treasurer and the President or designee will complete and sign a Notification of Investment Form.

No unauthorized person may engage in an investment transaction on behalf of Utah State University except as provided under the terms of this policy.

2.2 Investment Pools or Portfolios

- (1) Similar funds may be commingled for investment and/or reporting purposes unless specifically prohibited by statute, donor stipulation, or bond covenant.
- (2) Investment pools or portfolios may be established to:
 - a. Ensure compliance with the appropriate specific provisions of the State Money Management Act and Rules of the State Money Management Council, Uniform Prudent Management of

- Institutional Funds Act, or USHE R541, Management and Reporting of Institutional Investments, under which the investment pool or portfolio will be governed.
- b. Ensure compliance with written donor directives relating to gifts, devices, or bequests (Section 2.3).
 - c. Ensure compliance with any legal restrictions, such as bond covenants or trust agreements.
 - d. Meet investment objectives as outlined in the [Cash Management Investment Pool Guidelines](#), [Defensive Return Pool Investment Guidelines](#), or the [Endowment Pool Investment Guidelines](#) to help fund the various operating or educational needs within the University.
- (3) Certain funds or securities may be separately invested rather than commingled in an investment pool if one or more of the following conditions exist:
- a. A donor has provided written directions as to the investment of, or that restricts the sale of, their donation that would make it impractical to commingle with other securities or funds in other investment pools.
 - b. The Vice President for Finance and Administrative Services approves such an investment, as long as such an investment is in accordance with the appropriate governing regulations.

2.3 Donated Securities

- (1) Securities received by gift, device, or bequest, whether outright or in trust, shall be sold as soon as practical in accordance with the Rules of the Money Management Council, and USHE Policy R541, Management and Reporting of Institutional Investments unless:
- a. Restrictions specified by the donor in a written instrument contain directions for investing them. The University will periodically review the donor's written directions to determine if any donated securities being held can be sold or if they should be written off if the value is deemed immaterial.
 - b. Such securities are restricted from sale because they are not registered with the Securities and Exchange Commission and/or lack a written instrument as per the donor's intentions. In such cases, they may be retained as a qualified investment. When the terms of the restrictions are no longer applicable, the securities shall be sold or written off in accordance with this section.
 - c. Such securities are illiquid and cannot be immediately sold at net asset value. Such securities may be held until maturity or until such time when a sale is prudent.

2.4 Investment Advisory Committees

The Investment Advisory Committee of the Endowment Pool shall include not more than two members of the Utah State University Board of Trustees, two members of the Utah State University Foundation Board, and no less than two independent investment management professionals.

The Investment Advisory Committee of the Defensive Return Pool shall include not more than two members of the Utah State University Board of Trustees and no less than two independent investment management professionals.

Non-University committee members shall be invited to serve a five-year term and may be invited to serve a second five-year term.

2.5 Reporting, Audit, & Conflict of Interest Requirements

Investment reports, annual audits, and conflict of interest requirements will follow the Utah System of Higher Education Policy R541, Management and Reporting of Institutional Investments.

517.3 RESPONSIBILITIES

3.1 President

Review and sign Notification of Investment Forms to ratify investment purchases.

3.2 Public Treasurer

Manage and invest funds in accordance with this policy and provide investment reports to the Utah State University Board of Trustees.

517.4 REFERENCES

- [Utah System of Higher Education Policy R-541 Management and Reporting of Institutional Investments](#)
- [Utah Code Title 51, Chapter 7, 5](#)
- [Rules of the State Money Management Council](#)
- Utah Code Title 51, Chapter 8, [Uniform Prudent Management of Institutional Funds Act](#)

517.5 RELATED USU POLICIES

- [USU Policy 545 Individual Conflicts of Interest.](#)

517.6 DEFINITIONS

- **Institutional Fund.** A fund that is primarily for appreciation or the production of income and intended to be held in perpetuity. Institutional Funds do not include program-related assets which are assets held to accomplish the purpose of the institution and not primarily for appreciation or the production of income.

Operating Funds. Funds not primarily for appreciation or the production of income. Money used to operate a higher education institution that is received from state appropriations, government contracts and grants, or tuition and fees collected from students.

- **Public Treasurer.** Utah State University employee who has been designated by the Board of Trustees as the University's Public Treasurer as defined in the State Money Management Act and who has the responsibility and authority for the safekeeping and investment of public funds. The criteria to serve as a public treasurer include, without limitation (1) demonstrated investment knowledge and experience through professional endeavors and/or through obtaining financial certifications; 2) integrity and strong moral character; 3) the ability to build relationships with investment, banking, and other personnel; and 4) possess financial acumen with proven ability to educate others on investments.

Information below is not included as part of the contents of the official policy. It is provided only as a convenience for readers/users and may be changed at any time by persons authorized by the president.

RESOURCES

Procedures

- None

Guidance

- [Cash Management Investment Pool Guidelines](#)
- [Defensive Return Pool Investment Guidelines](#)
- [Endowment Pool Investment Guidelines](#)

Related Forms and Tools

- None

Contacts

- Vice President of Finance and Administrative Services

POLICY HISTORY

Original issue date: 2006/10/26

Last review date: 2025/01/10

Next scheduled review date: 2028/01/01

Previous revision dates: 2022/06/24, 2016/11/18, 2014/02/19

Cash Management Investment Pool Investment Guidelines

I. Purpose

The purpose of this document is to set forth the objectives and guidelines of the Utah State University Cash Management Investment Pool (CMIP). The CMIP is for the investment of Operating Funds and is to meet the short-term operating and capital needs of the University.

II. Definitions

- a. Operating Funds
 - Funds not primarily for appreciation or the production of income.
 - Money used for the operation of a higher education institution that is received from state appropriations, government contracts and grants, or tuition and fees collected from students.

III. Investment Objectives

The primary investment objectives of the Cash Management Investment Pool are:

- a. Safety of principal
- b. Maintenance of liquidity
- c. Generate optimal earned income for short-term needs

IV. Investment Guidelines

- a. Governing Regulations
 - The Pool shall be invested to comply with the State of Utah Money Management Act, and the Rules of the State Money Management Council.
- b. Eligible Investments
 - Funds shall only be invested in authorized investments in accordance with the State of Utah Money Management Act, Section 51-7-11, "Authorized deposits or investments of Public Funds".

V. References

- Title 51, Chapter 7, State Money Management Act
- Title R628 Rules of the State Money Management Council
- Utah System of Higher Education Policy R541 Management and Reporting of Institutional Investments

Defensive Return Pool Investment Guidelines

I. Purpose

The purpose of this document is to set forth the objectives and guidelines of the Utah State University Defensive Return Pool for implementation of the investment strategy.

II. Definitions

a. Institutional Fund

- Means a fund that is primarily for appreciation or the production of income, and intended to be held in perpetuity.
- Institutional Funds do not include: program-related assets which are assets held to accomplish the purpose of the institution and not primarily for appreciation or the production of income.

b. Internally Designated Funds Functioning as Endowments

- Funds, regardless of source, whose corpus is intended to be held in perpetuity by internal designation.

III. Investment Objectives

The primary investment strategy of the Defensive Return Pool is designed to provide stable current income regardless of interest rate fluctuations.

a. Risk Objectives

- i. To accept the minimum level of risk required to achieve the Defensive Return Pool's return objective as stated below.
- ii. To minimize the likelihood of experiencing negative returns over ten-year periods.
- iii. To use diversification, where possible, to minimize exposure to company and industry specific risks in the aggregate investment portfolio.

b. Return Objectives

- i. To achieve the highest reasonably prudent annual income.
- ii. Over a ten-year period, out-perform the average annual return of the CMIP by a minimum of 2%.

IV. Investment Constraints

a. Legal and Regulatory

The Defensive Return Pool Investment Advisory Committee intends to manage the assets of the Defensive Return Pool in accordance with the Uniform Prudent Management of Institutional Funds Act (UPMIFA).

b. Time Horizon

The assets of the Defensive Return Pool will be invested with a long-term time horizon, typically 20 years or more, consistent with the long-term mission of Utah State University.

c. Liquidity

Given Utah State University's long-term horizon, liquidity for the purpose of spending will be a moderate concern. The Investment Advisory Committee will regularly monitor liquidity needs, spending projections, and the impact of changes in regulations or other circumstances.

d. Tax Considerations

Utah State University is a tax-exempt entity. Therefore, investments and strategies will be evaluated only on the basis of expected risks and potential returns.

V. Risk and Return Considerations

The Defensive Return Pool Investment Advisory Committee recognizes the risks associated with investing in common public equity markets and it will generally have minimal exposure to such markets. Since the majority of the portfolio will be invested in fixed income or fixed income-like investments, senior debt selected for investment at the time of purchase will have an upper medium grade rating or better. Subordinated debt, hybrid bonds, and preferred equity will have an investment grade rating. All ratings must be from a Nationally Recognized Statistical Rating Organization. If two or more credit ratings are available, then at least two ratings must be as stated above. If a security is downgraded below the minimum threshold after the time of purchase, the Defensive Return Pool Investment Advisory Committee shall retain discretion to either hold or sell the investment prior to maturity.

VI. Diversification

The Defensive Return Pool Investment Advisory Committee recognizes that an important element of risk control is diversification. Therefore, investments will be allocated across multiple companies and industries and across many individual holdings.

VII. Asset Allocation

The Defensive Return Pool Investment Advisory Committee recognizes that the allocation of monies to certain asset classes will be the major determinant of the Defensive Return Pool's return and risk experience over time. Therefore, the Defensive Return Pool Investment Advisory Committee will allocate investments across certain asset classes that, based on historical and expected returns and risks, provide the highest likelihood of meeting the Defensive Return Pool's investment objectives.

a. Permissible Asset Classes

Assets in the Defensive Return Pool will be invested primarily in fixed income, fixed income-like, and alternative investments. Because investment in any particular asset class may or may not be consistent with the investment objectives of the Defensive Return Pool, the Defensive Return Pool Investment Advisory Committee has specifically indicated in Appendix A those asset classes that may be utilized when investing Defensive Return Pool assets.

b. Long-Term Target Allocations

Based on the investment objectives and constraints of the Defensive Return Pool, and on the expected behavior of the permissible asset classes, the Defensive Return Pool Investment Advisory Committee will work with the investment advisor to specify a long-term target allocation for each broad class of permissible assets. These targets will be expressed as a percentage of the Defensive Return Pool's overall market value, surrounded by a band of permissible variation (Appendix B).

The long-term target allocations are intended as strategic goals, not short-term imperatives. Thus, it is permissible for the overall Defensive Return Pool's asset allocation to deviate from the long-term target,

as would likely occur during asset class restructurings, and other temporary changes in the Defensive Return Pool.

c. Rebalancing

The specific plan for rebalancing will identify those assets that can be shifted at the lowest possible risk and cost, if the rebalancing cannot be accomplished solely by allocating contributions and/or making withdrawals.

VIII. Review of Investment Policy, Asset Allocation, and Performance

The Investment Policy will be reviewed at least annually by the Defensive Return Pool Investment Advisory Committee to ensure that the objectives and constraints remain relevant. However, the Defensive Return Pool Investment Advisory Committee recognizes the need for a stable long-term policy for the Defensive Return Pool, and major changes to this policy will be made only when significant developments occur.

The Defensive Return Pool Investment Advisory Committee will specifically evaluate the performance of the Defensive Return Pool relative to its objectives and to the returns available from the capital markets during the period under review.

IX. Investment Costs

The Investment Advisory Committee intends to monitor and control investment costs.

X. References

- a. Title 51, Chapter 8, Uniform Prudent Management of Institutional Funds Act (UPMIFA).
- b. Utah System of Higher Education, Management and Reporting of Institutional Investments Policy (R541)

APPENDIX A

PERMISSIBLE ASSET CLASSES

Asset Class	Broad Asset Class
Preferred Stock	Global Equity
Global Equities	Global Equity
Bonds and Notes	Fixed Income
TIPS	Inv. Grade Fixed Income
Cash/Short Duration Bonds	Inv. Grade Fixed Income
Private Equity	Alternative Asset
Real Estate	Alternative Asset
Natural Resources	Alternative Asset
Infrastructure	Alternative Asset
Hedge Funds	Alternative Asset

APPENDIX B

ASSET ALLOCATION TARGETS

Broad Asset Class	Target (%)	Range (%)
Fixed Income (Including CMIP)	65%	50-100%
Fixed Income <i>like</i> (Preferred Stocks)	10%	0-25%
Alternatives	15%	0-25%
Global Equity	10%	0-20%
PTIF / Cash	0%	0-20%

Endowment Pool Investment Guidelines

I. Purpose

The purpose of this document is to set forth the guidelines, goals, and objectives of the Utah State University Endowment Pool for implementation of the investment strategy.

The Endowment Pool is intended to provide financial stability and permanent funding for current and future mission-based initiatives. Investment guidelines are crucial to the long-term success of the Endowment Pool. As such, these guidelines are developed with the following goals in mind:

- To clearly and explicitly establish the objectives and constraints that govern the investment of Endowment Pool assets;
- To establish a long-term target asset allocation that has a high likelihood of meeting investment objectives given the explicit constraints.

II. Definitions

a. Institutional Fund

- A fund that is primarily for appreciation or the production of income, and intended to be held in perpetuity.
- Institutional Funds do not include: program-related assets which are assets held to accomplish the purpose of the institution and not primarily for appreciation or the production of income.

b. True Endowment

- A true endowment is defined as an endowment in which the donor stipulates that the corpus must be held inviolate and in perpetuity and invested to generate income to be spent for a specific purpose.

c. Internally Designated Funds Functioning as Endowments

- Funds, regardless of source, whose corpus is intended to be held in perpetuity by internal designation.

III. Investment Objectives

The investment strategy of the Endowment Pool is designed to ensure the prudent investment of funds in such a manner as to provide real growth of assets over time while protecting the value of the assets from undue volatility or risk of loss.

a. Risk Objectives

- To accept a level of risk as required to achieve the Endowment Pool's return objective as stated below.
- To structure the portfolio to have a low likelihood, under 10% probability, of experiencing a loss over any five-year period.

- To use extensive diversification to reduce exposure to company and industry specific risks within the aggregate investment portfolio.
 - To the extent possible, reduce the annual volatility in the asset base that supports the level of spending.
- b. Return Objectives
- In a manner consistent with the goals stated in Section I above, to achieve the highest, reasonably prudent real return possible. Specifically, the objective is to achieve an average annual net-of-fee return no less than the sum of the spending rate (outlined in Section V), annual operating expenses, and the annual rate of inflation.
 - To protect the corpus of assets in real (i.e., inflation adjusted) terms.

IV. Investment Constraints

- a. Legal and Regulatory
The Investment Advisory Committee intends to manage the assets of Utah State University at all times in accordance with the Uniform Prudent Management of Institutional Funds Act (UPMIFA).
- b. Time Horizon
The assets of the Endowment Pool will be invested with a long-term time horizon, generally twenty years or more, consistent with the long-term mission of Utah State University.
- c. Liquidity
Given Utah State University's long-term horizon, liquidity for the purpose of spending will be a moderate concern. The Investment Advisory Committee will regularly monitor liquidity needs, spending projections, and the impact of changes in regulations or other circumstances. The Endowment Pool will have a maximum of 40% exposure to illiquid assets, defined as those assets that do not offer liquidity on at least a quarterly basis.
- d. Tax Considerations
Utah State University is a tax-exempt entity. Therefore, investments and strategies will be evaluated only on the basis of expected risks and potential returns. Unrelated Business Taxable Income (UBTI) will be minimized when possible.

V. Spending Policy

For True Endowments, Utah State University aims to withdraw, for the spendable purpose(s) described in the gift agreement, no more than 5% of the average Endowment Pool market value for the preceding three fiscal years.

In order to ensure a stable and predictable level of spending from year-to-year, fluctuations in annual investment returns will be "smoothed" by using a 12-quarter moving average of the Endowment Pool's market value for the three preceding fiscal years.

The University may withdraw an advancement fee from the Endowment Pool for the purpose of supporting ongoing Advancement efforts. This fee will be based upon a budget approved by the President and will not exceed 1½ percent of the 12-quarter moving average of the portfolio fair market value for the three preceding fiscal years.

Within these constraints, the Investment Advisory Committee recognizes that the amount withdrawn from the Endowment Pool for disbursements should be reviewed on an annual basis.

VI. Risk and Return Considerations

The Investment Advisory Committee recognizes the risks associated with investing in the capital markets (market risks), and will reduce wherever possible those risks for which Utah State University is unlikely to be compensated (non-market or diversifiable risks).

VII. Diversification

The Investment Advisory Committee recognizes that an important element of risk control is diversification. Therefore, investments will be allocated across multiple asset classes, chosen in part for their low correlation of returns. Within each asset class, the Investment Advisory Committee will seek to distribute investments across many individual holdings, thus expecting to further reduce volatility.

VIII. Asset Allocation

The Investment Advisory Committee recognizes that the allocation of monies to various asset classes will be the major determinant of the Endowment Pool's return and risk experience over time. Therefore, the Investment Advisory Committee will allocate investments across those asset classes that, based on historical and expected returns and risks, provide the highest likelihood of meeting the Endowment Pool's investment objectives.

a. Permissible Asset Classes

Because an investment in any particular asset class may or may not be consistent with the investment objectives of the Endowment Pool, the Investment Advisory Committee has specifically indicated in Appendix A those asset classes that may be utilized when investing Endowment Pool assets.

b. Long-Term Target Allocations

Based on the investment objectives and constraints of the Endowment Pool, and on the expected behavior of the permissible asset classes, the Investment Advisory Committee will work with the Investment Advisor to specify a long-term target allocation for each class of permissible assets. These targets will be expressed as a percentage of the Endowment Pool's overall market value, surrounded by a band of permissible variation..

The long-term target allocations are intended as strategic goals, not short-term imperatives. Thus, it is permissible for the overall Endowment Pool's asset allocation to deviate from the long-term target, as would likely occur during manager transitions, asset class restructurings, market fluctuation, and other temporary changes in the Endowment Pool. Deviations from target ranges that occur due to capital market changes are discussed below.

Broad asset allocation targets are indicated in Appendix B.

c. Rebalancing

In general, cash flows to and from the Endowment Pool will be allocated in such a manner as to move each asset class toward its target allocation. Investment Advisory Committee input will be solicited if a rebalancing action would be outside the general purpose, as stated.

The Investment Advisory Committee recognizes that, periodically, market fluctuations may move the Endowment Pool's allocations outside the target ranges. The Investment Advisory Committee also recognizes that failing to rebalance the allocations could unintentionally change the Endowment Pool's structure and risk posture. However, the Investment Advisory Committee

understands that constant rebalancing could result in a significant increase in explicit and implicit trading costs to the Endowment Pool. Consequently, the process of rebalancing allocations will be subjective and occur periodically.

On at least an annual basis, if any allocation is outside the specified target range, assets will be shifted to return the strategy to the target range. The specific plan for rebalancing will identify those assets that can be shifted, recognizing possible risks and costs, if the rebalancing cannot be accomplished solely by allocating contributions and withdrawals.

IX. Review of Investment Policy, Asset Allocation, and Performance

The Investment Policy will be reviewed at least annually by the Investment Advisory Committee to ensure that the objectives and constraints remain relevant. However, the Investment Advisory Committee recognizes the need for a stable long-term policy for the Endowment Pool, and major changes to this policy will be made only when significant developments occur.

The Investment Advisory Committee will specifically evaluate the performance of the Endowment Pool relative to its objectives and to the returns available from the capital markets during the period under review. In general, the Investment Advisory Committee will utilize relative, rather than absolute, benchmarks in evaluating performance.

X. Investment Costs

The Investment Advisory Committee intends to monitor and control investment costs.

XI. Investment Manager and Advisor Performance

Primary review of external manager performance will be the responsibility of the Investment Advisor. Primary review of Investment Advisor performance will be the responsibility of the Investment Advisory Committee.

XII. References

- Title 51, Chapter 8 Uniform Prudent Management of Institutional Funds Act (UPMIFA).
- Utah System of Higher Education Policy R541, Management and Reporting of Institutional Investment.

Appendix A

Permissible Asset Classes

Asset Class	Broad Asset Class
Public Domestic Equity	Global Equity
Public Foreign Equity	Global Equity
Emerging Market Equity	Global Equity
Investment Grade Bonds	Inv. Grade Fixed Income
TIPS	Inv. Grade Fixed Income
Cash/Short Duration Bonds	Inv. Grade Fixed Income
Long Term Government Bonds	Inv. Grade Fixed Income
High Yield Bonds	Opportunistic Fixed Income
Bank Loans	Opportunistic Fixed Income
Emerging Markets Debt	Opportunistic Fixed Income
Private Equity	Alternative Asset
Private Debt	Alternative Asset
Real Estate	Alternative Asset
Natural Resources	Alternative Asset
Infrastructure	Alternative Asset
Hedge Funds	Alternative Asset

Appendix B

Broad Asset Allocation Targets

	Target* (%)	Range (%)
Global Equity	48	35-55
Investment Grade Fixed Income	_11.5	5-25
Opportunistic Fixed Income	7.5	0-15
Alternative Assets	33	20-45

- Targets are a guide and may be revised from time-to-time by recommendation of the Investment Advisory Committee within the established policy range.