AGENDA

COMMITTEE ON FINANCE

Meeting: 11:00 a.m., Wednesday, March 23, 2022
Glenn S. Dumke Auditorium

Jack McGrory, Chair
Larry L. Adamson, Vice Chair
Jane W. Carney
Wenda Fong
Maria Linares
Anna Ortiz-Morfit
Krystal Raynes
Romey Sabalius
Christopher Steinhauser

Consent 1. Approval of Minutes of the Meeting of January 26, 2022, Action
2. California State University Annual Debt Report, Information

Discussion 3. California State University Quarterly Investment Report, Information
MINUTES OF THE MEETING OF THE COMMITTEE ON FINANCE

Trustees of the California State University
Office of the Chancellor
Glenn S. Dumke Auditorium*
401 Golden Shore
Long Beach, California

January 26, 2022

Members Present

Jack McGrory, Chair
Larry L. Adamson, Vice Chair
Jane W. Carney
Wenda Fong
Maria Linares
Anna Ortiz-Morfit
Krystal Raynes
Romey Sabalius
Christopher Steinhauser

Lillian Kimbell, Chair of the Board
Joseph I. Castro, Chancellor

Trustee Jack McGrory called the meeting to order.

Public Comment

Public comment took place at the beginning of the meeting’s open session, prior to all committees.

Approval of the Consent Agenda

The minutes of the November 9, 2021, meeting of the Committee on Finance were approved as submitted.

*PLEASE NOTE: As authorized by Assembly Bill No. 361 and Executive Order N-1-22 issued by Governor Newsom, all members of the Board of Trustees participated in this meeting remotely, either by telephonic or video conference means. Out of consideration for the health, safety and well-being of the members of the public and the Chancellor’s Office staff, the January 24-26, 2022, meeting of the CSU Board of Trustees was conducted entirely virtually via Zoom teleconference.
2021-2022 Student Fee Report

A report on current tuition and campus-wide mandatory fees was provided. For 2021-2022, systemwide undergraduate tuition remains the same at $5,742 and campus-wide mandatory fees average $1,697. It was shared that 81 percent of all CSU students receive some form of financial aid and about 77 percent of undergraduate financial aid recipients have their tuition fully covered by aid sources.

Following the presentation, a trustee asked if campus-based fees are also covered for those 77 percent of undergraduate financial aid recipients that have their tuition fully covered, and she was informed that they are not. Another trustee asked if non-resident tuition will be increased and she was informed that a review and analysis of the CSU tuition and fee structure, including non-resident tuition, will be conducted over the coming year to evaluate the possibility of setting different non-resident tuition rates by campus.

2022-2023 Operating Budget Update

An update on the state budget and the governor’s funding proposal for the CSU was provided. The governor proposed in January 2022 a total of $537 million ($304 million recurring and $233 million one-time) for the CSU as well as a five-year funding and goal-setting compact. Additional funding will also be available to CSU, University of California, and California Community Colleges for select higher education programs. It was reported that the state has a $45.7 billion surplus as it enters the 2022-2023 budget development cycle and information from the governor’s administration suggests optimism for the state budget in the short term as well as over the longer term.

Following the presentation, the trustees expressed support for the governor’s proposal for a multi-year funding compact. They commented that in addition to the annual funding proposed in the compact, the CSU will have to advocate annually for additional funds to fully cover all CSU needs. They asked how the proposed enrollment growth of 9,434 students would be allocated and were informed that it will vary by campus, based on demand and capacity.

Trustee McGrory adjourned the meeting of the Committee on Finance.
COMMITTEE ON FINANCE

California State University Annual Debt Report

Presentation By

Robert Eaton
Assistant Vice Chancellor
Financing, Treasury, and Risk Management

Summary

This item reports on the debt of the California State University Systemwide Revenue Bond program in accordance with the CSU Policy on Financing Activities (RFIN/CPBG 11-14-01).

Background

The Systemwide Revenue Bond (SRB) program, under provisions and authorities of the State University Revenue Bond Act of 1947 (California Education Code sections 90010-90083), was established by the CSU Board of Trustees at its March 2002 meeting. Since the inception of the SRB program, the CSU Policy on Financing Activities has set forth the principles that serve as the basis for the SRB program and has provided the chancellor with authority to establish procedures for the management of the SRB program consistent with the Board of Trustees’ objectives for the use of debt, including the establishment of benchmark financial ratios to ascertain the financial viability of projects to be financed with CSU debt. The current CSU Policy on Financing Activities (RFIN/CPBG 11-14-01) was amended by the Board of Trustees in November 2014 and is included as Attachment A.

The SRB program provides capital financing for projects of the CSU approved by the Board of Trustees, including student housing, parking, student union, health center, continuing education facilities, certain auxiliary projects, and other academic facilities. Revenues from these programs and revenues approved by the Board of Trustees, including CSU operating funds, are used to meet operational requirements for the projects and to pay debt service on the debt issued to finance the projects. A strength of the SRB program is its consolidated pledge of gross revenues to the bondholders, which has resulted in strong credit ratings and low borrowing costs for the CSU.

Since the inception of the SRB program, the CSU has also issued commercial paper (CP) primarily to provide campuses with short term, lower cost capital financing on projects until long term bonds are sold. The CSU Institute, a systemwide auxiliary of the CSU, issues the CP, which is secured by bond anticipation notes issued by the CSU. The CSU currently has a CP program in the amount of $300 million, although both the Board of Trustees and the CSU Institute have authorized a CP
program up to $500 million. The CP program is supported by letters of credit from State Street and Wells Fargo N.A. that expire in May 2025.

**SRB and CP Portfolio Profile**

As of June 30, 2021, and December 31, 2021, outstanding SRB debt of the CSU was approximately $7.9 billion and approximately $8.8 billion, respectively.

Key characteristics of the SRB portfolio are as follows:

- **Debt Ratings:** Aa2 (Moody’s)
  - AA- (Standard & Poor’s)
- **Weighted Average Cost of Capital:** 3.23%
- **Weighted Average Maturity:** 15.9 Years
- **Interest Rate Mix:** 97% Long Term Fixed Rate
  - 3% Short Term Fixed Rate

As of December 31, 2021, outstanding CP was $746,000 at a weighted average interest rate of 0.11 percent.

**SRB Operating Performance and Debt Service Coverage Ratios**

For the fiscal years ended June 30, 2019, June 30, 2020, and June 30, 2021, operating performance and debt service coverage ratios for the SRB program were as follows (amounts in millions):

<table>
<thead>
<tr>
<th></th>
<th>June 30, 2019</th>
<th>June 30, 2020</th>
<th>June 30, 2021</th>
</tr>
</thead>
<tbody>
<tr>
<td>Operating Revenues</td>
<td>$5,326</td>
<td>$5,188</td>
<td>$4,790</td>
</tr>
<tr>
<td>Operating Expenses</td>
<td>1,763</td>
<td>1,864</td>
<td>1,622</td>
</tr>
<tr>
<td>Net Revenues</td>
<td>3,563</td>
<td>3,324</td>
<td>3,168</td>
</tr>
<tr>
<td>Annual Debt Service</td>
<td>$384</td>
<td>$423</td>
<td>$470</td>
</tr>
<tr>
<td>Debt Service Coverage</td>
<td><strong>9.28</strong></td>
<td><strong>7.86</strong></td>
<td><strong>6.74</strong></td>
</tr>
</tbody>
</table>

(1) The minimum benchmark for the system, as established by executive order, is 1.45.
Activity since the May 2021 Annual Debt Report


In July 2021, the CSU issued $1,888,320,000 of SRBs comprised of the following series:

- Series 2021A (Tax-exempt): $124,235,000
- Series 2021B (Taxable): $1,664,085,000
- Series 2016B-2 (Tax-exempt put bond remarketing): $100,000,000
  Total par amount of the bonds: $1,888,320,000

Approximately $910 million was issued for new projects, comprised of about $88 million from Series 2021A at an all-in true interest cost of 2.21 percent and about $822 million from Series 2021B at an all-in true interest cost of 2.83 percent. The remaining $879 million of the Series 2021A and 2021B bonds were used to refund outstanding SRB debt for net present value savings of about $103 million, with year one cashflow savings of about $24 million and savings of approximately $73 million in the first four years. The Series 2016B-2 put bonds were remarketed for an additional five years at a rate of 2.75 percent and net present value savings of about $13 million.

Projects Approved for Financing under Delegated Authority

In March 2018, the Board of Trustees amended Section II(f) of its Standing Orders to delegate authority to the chancellor to, among other things, authorize debt financing for projects valued up to $40 million and authorize debt financing for all remodels, parking structures, and utilitarian projects, regardless of cost.

In June 2021, under this delegation of authority, the chancellor authorized debt financing for the following project:

- California Polytechnic State University, San Luis Obispo Housing Renovation projects with a not-to-exceed financing amount of $39,995,000

This project met CSU debt financing benchmarks and was included in the 2021A and 2021B SRB issuance in July 2021.
WHEREAS, The Board of Trustees of the California State University ("the Board" or "the Trustees") finds it appropriate and necessary to use various debt financing programs afforded to it through the methods statutorily established by the legislature, and to use to its advantage those programs available to it through debt financing by recognized auxiliary organizations of the California State University; and

WHEREAS, The Board recognizes the capital needs of the CSU require the optimal use of all revenues to support its academic mission; and

WHEREAS, The Board wishes to establish and maintain policies that provide a framework for the approval of financing transactions for the various programs that enable appropriate oversight and approval by the Trustees; and

WHEREAS, Within a policy framework, the Board desires to establish appropriate delegations that enable the efficient and timely execution of financing transactions for the CSU and its recognized auxiliary organizations in good standing; and

WHEREAS, The Board recognizes that there is a need from time to time to take advantage of rapidly changing market conditions by implementing refinancings or restructurings; and

WHEREAS, The Board finds it appropriate to use the limited debt capacity of the CSU in the most prudent manner; and

WHEREAS, There are certain aspects of the tax law related to the reimbursement of up-front expenses from tax-exempt financing proceeds that would be more appropriately satisfied through a delegation to the Chancellor without affecting the Trustees' ultimate approval process for such financings; now, therefore be it

RESOLVED, by the Board of Trustees of the California State University as follows:

Section 1. General Financing Policies

1.1 The State University Revenue Bond Act of 1947 (1947 Bond Act) and Education Code Sections 89770-89774 (EC 89770-89774) (collectively, the “CSU Bond Acts”) provide the Board of Trustees with the ability to acquire,
construct, finance, or refinance projects funded with debt instruments repaid from various revenue sources.

1.2 The long-term debt programs of the Board of Trustees established pursuant to the CSU Bond Acts shall be managed by the Chancellor, to the greatest extent possible, to credit rating standards in the "A" category, at minimum.

1.3 The intrinsic rating of any debt issued by the Trustees shall be at investment grade or better.

1.4 The Trustees’ debt programs should include the prudent use of variable rate debt and commercial paper to assist with lowering the overall cost of debt.

1.5 The Trustees’ programs shall be designed to improve efficiency of access to the capital markets by consolidating bond programs where possible.

1.6 The Chancellor shall develop a program to control, set priorities, and plan the issuance of all long-term debt consistent with the five-year capital outlay program.

1.7 The Chancellor shall annually report to the Trustees on the activity related to the issuance of long-term debt.

Section 2. Financing Structure of the CSU's Debt Programs

2.1 To use the limited debt capacity of CSU in the most cost effective and prudent manner, all on-campus student, faculty, and staff rental housing, parking, student union, health center, and continuing education capital projects will be financed by the Trustees using a broad systemwide multi-source revenue pledge under the authority of the CSU Bond Acts in conjunction with the respective authority of the Trustees to collect and pledge revenues.

Other on-campus and off-campus projects, including academic and infrastructure support projects, will also be financed through this structure under the authority of the CSU Bond Acts, unless there are compelling reasons why a project could not or should not be financed through this structure (see Section 3 below).

2.2 The Chancellor is hereby authorized to determine which revenues may be added to the broad systemwide multi-source revenue pledge under the authority granted by the CSU Bond Acts, to determine when such revenues may be added,
and to take appropriate action to cause such additional revenues to be pledged to CSU debt in accordance with the CSU Bond Acts.

2.3 The Chancellor shall establish minimum debt service coverage and other requirements for financing transactions undertaken under the CSU Bond Acts and/or for the related campus programs, which shall be used for implementation of the Trustees' debt programs. The Chancellor shall also define and describe the respective campus program categories.

2.4 The Chancellor, the Executive Vice Chancellor and Chief Financial Officer, the Assistant Vice Chancellor Financial Services, the Deputy Assistant Vice Chancellor for Financing, Treasury, and Risk Management, and each of them (collectively, "Authorized Representatives of the Trustees"), are hereby authorized and directed, for and in the name and on behalf of the Trustees, to take any and all actions necessary to issue bonds pursuant to the CSU Bond Acts to acquire or construct projects. Authorized Representatives of the Trustees, with the advice of the General Counsel, are authorized to execute, acknowledge and deliver, and to prepare and review, as each of them deems appropriate, all bond resolutions, bond indentures, official statements and all other documents, certificates, agreements and information necessary to accomplish such financing transactions.

2.5 The Chancellor, the Executive Vice Chancellor and Chief Financial Officer, the Assistant Vice Chancellor Financial Services, the Deputy Assistant Vice Chancellor for Financing, Treasury, and Risk Management, and each of them (collectively, "Authorized Representatives of the Trustees"), are hereby authorized and directed, for and in the name and on behalf of the Trustees, to take any and all actions necessary to refinance any existing bonds issued pursuant to the CSU Bond Acts. Authorized Representatives of the Trustees, with the advice of the General Counsel, are authorized to execute, acknowledge and deliver, and to prepare and review, as each of them deems appropriate, all bond resolutions, bond indentures, official statements and all other documents, certificates, agreements and information necessary to accomplish such refinancing transactions.
Section 3. Other Financing Programs

3.1 The Board recognizes that there may be projects, or components of projects, that a campus wishes to construct that are not advantaged by, or financing is not possible for, or are inappropriate for financing under the CSU Bond Acts. A campus president may propose that such a project be financed as an auxiliary organization or third party entity financing, if there is reason to believe that it is more advantageous for the transaction to be financed in this manner than through the CSU Bond Acts financing program.

3.1.1 Such financings and projects must be presented to the Chancellor for approval early in the project's conceptual stage in order to proceed. The approval shall be obtained prior to any commitments to other entities.

3.1.2 These projects must have an intrinsic investment grade credit rating, and shall be presented to the Trustees to obtain approval before the financing transaction is undertaken by the auxiliary organization or other third party entity.

3.1.3 If a project is approved by the Trustees, the Chancellor, the Executive Vice Chancellor and Chief Financial Officer, the Assistant Vice Chancellor Financial Services, the Deputy Assistant Vice Chancellor for Financing, Treasury, and Risk Management, and each of them (collectively, "Authorized Representatives of the Trustees") are hereby authorized and directed, for and in the name and on behalf of the Trustees, to execute, acknowledge and deliver, and to prepare and review, as each of them deems appropriate, any and all documents and agreements with such insertions and changes therein as such Authorized Representatives of the Trustees, with the advice of the General Counsel, may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof, in order to assist with the planning, design, acquisition, construction, improvement, financing, and refinancing of the projects.

3.2 The Chancellor may require campus presidents to establish campus procedures applicable to campus auxiliary organizations for the issuance of debt instruments to finance or to refinance personal property with lease purchase, line-of-credit, or other tax-exempt financing methods. The procedures issued by the
Chancellor need not contain a requirement for approval of the Trustees or the Chancellor but may include authority for campus presidents to take all actions to assist the auxiliary organization on behalf of the Trustees to complete and qualify such financing transactions as tax-exempt.

Section 4. State Public Works Board Lease Revenue Financing Program

4.1 The authorizations set forth in this section shall be in full force and effect with respect to any State Public Works Board project which has been duly authorized by the legislature in a budget act or other legislation and duly signed by the Governor and which is then in full force and effect.

4.2 The Chancellor, the Executive Vice Chancellor and Chief Financial Officer, the Assistant Vice Chancellor Financial Services, the Deputy Assistant Vice Chancellor for Financing, Treasury, and Risk Management, and Assistant Vice Chancellor for Capital Planning, Design and Construction each of them (collectively, "Authorized Representatives of the Trustees") are hereby authorized and directed, for and in the name and on behalf of the Trustees, to execute, acknowledge and deliver, and to prepare and review, as each of them deems appropriate, any and all construction agreements, equipment agreements, equipment leases, site leases, facility leases and other documents and agreements with such insertions and changes therein as such Authorized Representatives of the Trustees, with the advice of the General Counsel, may require or approve, such approval to be conclusively evidenced by the execution and delivery thereof, in order to provide for the planning, design, acquisition, construction, improvement, financing, and refinancing of the projects.

Section 5. Credit of the State of California

5.1 The delegations conferred by this resolution are limited and do not authorize the Chancellor or other Authorized Representatives of the Trustees to establish any indebtedness of the State of California, the Board of Trustees, any CSU campus, or any officers or employees of any of them. Lending, pledging or otherwise using the credit established by a stream of payments to be paid from funds appropriated from the State of California for the purpose of facilitating a financing transaction associated with a capital project is permitted only if specifically authorized by a bond act or otherwise authorized by the legislature.
Section 6. Tax Law Requirement for Reimbursement of Project Costs

6.1 For those projects which may be financed under the authority of the Trustees, the Chancellor, the Executive Vice Chancellor and Chief Financial Officer, the Assistant Vice Chancellor Financial Services, the Deputy Assistant Vice Chancellor for Financing, Treasury, and Risk Management, and each of them (collectively, "Authorized Representatives of the Trustees"), are hereby authorized to make declarations on behalf of the Trustees solely for the purposes of establishing compliance with the requirements of Section 1.150-2 of the U.S. Treasury Regulations; provided, however that any such declaration:

6.1.1 Will not bind the Trustees to make any expenditure, incur any indebtedness, or proceed with the project or financing; and

6.1.2 Will establish the intent of the Trustees at the time of the declaration to use proceeds of future indebtedness, if subsequently authorized by the Trustees, to reimburse the Trustees for expenditures as permitted by the U.S. Treasury Regulations.

Section 7. Effective Date and Implementation

7.1 Within the scope of this financing policy, the Chancellor is authorized to further define, clarify and otherwise make and issue additional interpretations and directives as needed to implement the provisions of this policy.

7.2 This resolution supersedes RFIN 03-02-02 and shall take effect immediately.
COMMITTEE ON FINANCE

California State University Quarterly Investment Report

Presentation By

Brad Wells
Acting Executive Vice Chancellor and
Chief Financial Officer

Robert Eaton
Assistant Vice Chancellor
Financing, Treasury, and Risk Management

Summary

This item provides the quarterly investment report to the California State University Board of Trustees for the quarter ended September 30, 2021. The information in Attachment A provides the entire quarterly investment report regarding CSU investments as required by California Education Code § 89726.

Background

Pursuant to the California State University Master Investment Policy (included as Attachment B) CSU investments as of September 30, 2021, consisted of investments in the Liquidity Portfolio (Systemwide Investment Fund Trust or SWIFT), the Total Return Portfolio (TRP), and the State of California Surplus Money Investment Fund (SMIF). Except for amounts held at the State in SMIF, all CSU investments are held by US Bank, the custodian bank for the CSU. Neither state general fund nor CSU auxiliary funds are included in CSU investments. In addition, this report does not include approximately $1.89 billion in bond proceeds, which by state law are required to be held by the state and are invested in SMIF.
## CSU Investments – Balances, Allocations, and Returns

**September 30, 2021**

<table>
<thead>
<tr>
<th>Portfolio</th>
<th>Balance</th>
<th>% of CSU Investments</th>
<th>Twelve Month Returns</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liquidity Portfolio (SWIFT)</td>
<td>$4.828 billion</td>
<td>76.2%</td>
<td>0.19%</td>
</tr>
<tr>
<td>Total Return Portfolio (TRP)</td>
<td>$1.352 billion</td>
<td>21.4%</td>
<td>19.38%</td>
</tr>
<tr>
<td>Surplus Money Investment Fund (SMIF)</td>
<td>$152.4 million</td>
<td>2.4%</td>
<td>0.33%</td>
</tr>
<tr>
<td><strong>CSU Investments</strong></td>
<td><strong>$6.33 billion</strong></td>
<td><strong>100%</strong></td>
<td></td>
</tr>
</tbody>
</table>

### CSU Investment Portfolios

For detailed information on the investment performance and characteristics of the CSU investment portfolios please see Attachment A.

### CSU Liquidity Portfolio (Systemwide Investment Fund Trust or SWIFT)

The purpose of the Liquidity Portfolio is to provide sufficient and immediate liquidity to meet the operating needs of the CSU. The investment objective is safety of principal and liquidity.

The Liquidity Portfolio is managed through contracts with two investment management firms, BlackRock Financial Management and Payden & Rygel, each of whom provides investment...
management services for the program. While the custodian, US Bank, holds the funds invested in the Liquidity Portfolio, for investment management purposes, additions to the portfolio are split evenly between the investment managers and invested according to permitted investments outlined in the Government Code of the State and the Liquidity Portfolio investment policy. Consistent with state law, the Liquidity Portfolio is restricted to high quality, fixed income securities.

**CSU Total Return Portfolio (TRP)**

Legislation effective January 1, 2017, expanded the CSU investment authority to allow investment in mutual funds (including equity mutual funds) and real estate investment trusts. The Total Return Portfolio was created to take advantage of the new investment authority.

The purpose of the TRP is to provide opportunity for additional risk adjusted returns on CSU funds over a full market cycle. The investment objective is to achieve a prudent return within a moderate risk level.

Under State law, investment of funds in the TRP is subject to the CSU meeting certain conditions regarding investment oversight, reporting, and use of earnings, and may not be more than thirty percent of eligible CSU investments. The CSU Investment Advisory Committee (IAC), established by the Board of Trustees in September 2017, oversees the TRP and focuses on key issues such as investment policy, asset allocation, investment manager oversight, and investment performance.

The TRP investment policy provides a framework for the investment of portfolio funds in the TRP and includes the following key elements as further described in the TRP Investment Policy:

- Investment Objectives
- Investment Manager Selection
- Spending Policy
- Roles & Responsibilities
- Time and Investment Horizon
- Environmental, Social and Governance
- Risk Tolerance
- Framework
- Expected Return
- Risk Management
- Asset Allocation
- Monitoring and Control Procedures
- Benchmarks

The IAC has adopted an investment schedule for the TRP that utilizes a dollar-cost averaging approach and provides regular monthly contributions to the TRP. An initial investment of $33.5 million into the TRP was made on April 1, 2018, and additional investments allowed the TRP to reach the fiscal year 2018-2019 statutory limit of $600 million in the first half of 2019. After June 30, 2019, a new investment schedule was adopted by the IAC and staff, with the goal of funding the TRP to as much as 30 percent of CSU investments by mid-2020. However, in April of 2020, the IAC approved a reduced investment schedule in the amount of $20 million total
between April and July of 2020, and in August of 2020, the IAC suspended further contributions to the TRP for the time being. Both of these actions were taken in order to preserve liquidity in the CSU Liquidity Portfolio in response to the COVID-19 pandemic. Recently, in January of 2022, the IAC approved a new investment schedule for the TRP which will place an additional $900 million into the portfolio over the next eighteen months. The investment schedule may be adjusted by the IAC at any time depending on market conditions and staff will ensure the TRP does not exceed thirty percent of CSU investments.

Since the TRP Inception Date\(^1\) through September 30, 2021, the TRP investment earnings were approximately $317.1 million. During this period, the TRP total return exceeded the Liquidity Portfolio (SWIFT) total return by 8.13 percent annualized (net of fees) or a cumulative $272.3 million.

In October 2021, the IAC approved the third annual TRP distribution to the system of approximately $55.6 million, bringing total TRP distributions to the system since inception to $112.98 million. TRP distributions are allocated to the campuses annually for capital outlay or maintenance. Consistent with state law, specifically California Education Code § 89726, additional moneys earned through investments in the TRP shall be used only for capital outlay or maintenance and shall not be used for ongoing operations.

**Surplus Money Investment Fund (SMIF)**

The State Treasurer also provides investment vehicles that may be used for CSU funds. The Surplus Money Investment Fund (SMIF) is used by the State Treasurer to invest state funds, or funds held by the state on behalf of state agencies, in a short-term pool. In order to facilitate certain expenditures, the CSU maintains small amounts of funds with the State. The portfolio includes Certificates of Deposit, Treasuries, Commercial Paper, Corporate Bonds, and U.S. Government Agencies.

**Reporting Requirements**

California Education Code § 89726 requires quarterly investment reports to the Board of Trustees and an annual report to the State Legislature and the Department of Finance.

**Subsequent Developments/Next Steps**

With oversight from the IAC, staff will implement the TRP investment schedule and continue monitoring market conditions to determine if any changes in the TRP investment schedule are

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\(^1\) The TRP Inception Date was April 1, 2018.
warranted. Staff also completed the Request for Proposal for investment managers for both the Liquidity Portfolio and the new Intermediate Duration Portfolio, consistent with the CSU Master Investment Policy. On July 1, 2021, two new investment managers for the Liquidity Portfolio, BlackRock Financial Management and Payden & Rygel, replaced Wells Capital Management and US Bancorp Asset Management, respectfully. The Intermediate Duration Portfolio (IDP) launched on October 1, 2021, managed by three new investment managers, Western Asset Management Company, PGIM Fixed Income, and Income Research & Management. The next investment report to the Board of Trustees is scheduled for the May 2022 meeting and will provide information on the CSU Quarterly Investment Report for the fiscal quarter ending December 31, 2021.
CSU Quarterly Investment Report
For the Fiscal Quarter Ended September 30, 2021

CSU investments as of September 30, 2021, consisted of investments in the CSU Liquidity Portfolio (Systemwide Investment Fund Trust or SWIFT), the Total Return Portfolio (TRP), and the State of California Surplus Money Investment Fund (SMIF). All CSU investments (except for funds invested in SMIF) are held by US Bank, the custodian bank for the CSU. Neither state general funds nor CSU auxiliary funds are included in CSU investments. In addition, this report does not include approximately $1.89 billion in bond proceeds, which by state law are held by the state and invested in SMIF.

Balances and Allocations as of September 30, 2021

<table>
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</tr>
</tbody>
</table>

For the quarter ending September 30, 2021, direct investment management fees¹, advisory, and custodial fees totaled just under $0.7 million, or about 0.012 percent (1.2 basis points) on CSU investments average balance for the quarter ending September 30, 2021.

¹ Direct investment management fees exclude TRP mutual fund investment management fees. TRP mutual fund investment management fees are included as mutual fund expenses and reported as a percent of total fund assets. See TRP Fund Expense Ratio (Fee) in the table on page 5.
**CSU Consolidated Investment Portfolio**

The performance returns below are for the CSU Consolidated Investment Portfolio which includes the Liquidity Portfolio (SWIFT) and the Total Return Portfolio (TRP). The table also displays the separate portfolio returns of the TRP and the Liquidity Portfolio.

<table>
<thead>
<tr>
<th></th>
<th>CSU Consolidated Investment Portfolio</th>
<th>CSU Total Return Portfolio (TRP)</th>
<th>CSU Liquidity Portfolio (SWIFT)</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Year Return</td>
<td>4.90%</td>
<td>19.38%</td>
<td>0.19%</td>
</tr>
<tr>
<td>3 Year Annualized Return</td>
<td>4.16%</td>
<td>10.11%</td>
<td>2.06%</td>
</tr>
<tr>
<td>5 Year Annualized Return</td>
<td>2.86%</td>
<td>N/A</td>
<td>1.60%</td>
</tr>
<tr>
<td>10 Year Annualized Return</td>
<td>1.81%</td>
<td>N/A</td>
<td>1.19%</td>
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<tr>
<td>Since Inception Return(^3)</td>
<td>1.86%</td>
<td>10.14%</td>
<td>1.42%</td>
</tr>
</tbody>
</table>

Since the TRP Inception date through September 30, 2021, the TRP investment earnings were approximately $317.1 million. During this period, the TRP total return exceeded the Liquidity Portfolio (SWIFT) total return by 8.13 percent annualized (net of fees) or $272.3 million.

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\(^2\) CSU Consolidated Investment Portfolio returns will also include the Intermediate Duration Portfolio (IDP) once this portfolio is incepted. CSU Consolidated Investment Portfolio returns exclude SMIF.

\(^3\) Inception Date for the CSU Consolidated Investment Portfolio was July 1, 2007. Inception Date for the CSU Liquidity Portfolio (SWIFT) was July 1, 2007. TRP Inception Date was April 1, 2018. CSU Consolidated Investment Portfolio and CSU Liquidity Portfolio Returns reported gross of fees and as total return, including income and gains (realized and unrealized).
Investment Earnings from CSU Investments Supports Campus Operations and Student Experience
The purpose of the Liquidity Portfolio is to provide sufficient and immediate liquidity to meet the operating needs of the CSU. The investment objective is safety of principal and liquidity. Consistent with state law, the portfolio is restricted to high quality, fixed income securities.

<table>
<thead>
<tr>
<th>CSU Liquidity Portfolio</th>
<th>Benchmark³</th>
</tr>
</thead>
<tbody>
<tr>
<td>1 Year Return⁴</td>
<td>0.19%</td>
</tr>
<tr>
<td>3 Year Annualized Return</td>
<td>2.06%</td>
</tr>
<tr>
<td>5 Year Annualized Return</td>
<td>1.60%</td>
</tr>
<tr>
<td>10 Year Annualized Return</td>
<td>1.19%</td>
</tr>
<tr>
<td>Annualized Since Inception Return⁵</td>
<td>1.42%</td>
</tr>
<tr>
<td>Yield</td>
<td>0.30%</td>
</tr>
<tr>
<td>Duration (Years)</td>
<td>1.41</td>
</tr>
<tr>
<td>Average Credit Rating</td>
<td>AA-</td>
</tr>
</tbody>
</table>

Holdings by Asset Type (% of CSU Liquidity Portfolio):

- Treasuries: 35.0%
- U.S. Corporate Bonds: 20.3%
- Cash Equivalents⁶: 15.6%
- U.S. Government Agencies: 12.9%
- Certificates of Deposit: 11.2%
- Commercial Paper: 3.1%
- CA Municipal Obligations: 0.7%
- Agency MBS: 0.7%
- Supranationals: 0.5%

³ Benchmark for the CSU Liquidity Portfolio (SWIFT) is the Bank of America Merrill Lynch 0-3 Year Treasury Index.
⁴ CSU Liquidity Portfolio (SWIFT) Returns reported gross of fees and as total return, including income and gains (realized and unrealized).
⁵ Inception Date for the CSU Liquidity Portfolio (SWIFT) was 7/1/07.
⁶ Cash Equivalents were abnormally high on 9/30/21 to fund debt service and launch the CSU Intermediate Duration Portfolio both on 10/1/21.
CSU Total Return Portfolio (TRP)

The purpose of the Total Return Portfolio is to provide an opportunity for additional risk adjusted returns on CSU funds over a full market cycle. The investment objective is to achieve a prudent return within a moderate risk level. Consistent with state law, the TRP is invested in mutual funds subject to registration by, and under the regulatory authority of the United States Securities and Exchange Commission or in United States registered real estate investment trusts.

<table>
<thead>
<tr>
<th></th>
<th>CSU Total Return Portfolio</th>
<th>Strategic Benchmark</th>
<th>Policy Benchmark</th>
</tr>
</thead>
<tbody>
<tr>
<td>3 Months Return</td>
<td>-0.72%</td>
<td>1.71%</td>
<td>-0.77%</td>
</tr>
<tr>
<td>1 Year Return</td>
<td>19.38%</td>
<td>8.69%</td>
<td>18.32%</td>
</tr>
<tr>
<td>3 Year Annualized Return</td>
<td>10.11%</td>
<td>7.30%</td>
<td>9.53%</td>
</tr>
<tr>
<td>Annualized Since Inception Return</td>
<td>10.14%</td>
<td>7.11%</td>
<td>9.07%</td>
</tr>
</tbody>
</table>

In October 2021, the CSU Investment Advisory Committee approved the third annual TRP distribution to the system of approximately $55.6 million, bringing total TRP distributions to the system since inception to $112.98 million. TRP distributions are allocated to the campuses annually for capital outlay or maintenance. Consistent with state law, specifically California Education Code § 89726, additional moneys earned through investments in the TRP shall be used only for capital outlay or maintenance, and shall not be used for ongoing operations.

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7 The TRP Strategic Benchmark is Inflation (Core Consumer Price Index) plus 4.5 percent per annum. The long-term rate of inflation is assumed at 2.5 percent per annum.
8 The TRP Policy Benchmark is a blend of passive indices whose weights match the TRP target asset allocation.
9 TRP Inception Date was April 1, 2018.
Holdings by Asset Type (% of CSU Total Return Portfolio):

- **Equity Mutual Funds**: 45.6%
- **Fixed Income Mutual Funds**: 39.4%
- **Real Asset Mutual Funds**: 15.0%
- **Passive Index Mutual Funds**: 75%
- **Actively Managed Mutual Funds**: 25%\(^{10}\)

Values, Holdings & Fees (CSU Total Return Portfolio)

<table>
<thead>
<tr>
<th>Asset Class</th>
<th>Strategy Name</th>
<th>Ticker</th>
<th>Value (millions)</th>
<th>% of Total Return Portfolio</th>
<th>TRP Fund Expense Ratio (Fee)</th>
<th>Universe Median Expense Ratio (Fee)</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Fixed Income</strong></td>
<td>Vanguard Total Bond Market Index Fund</td>
<td>VBMPX</td>
<td>299.5</td>
<td>22.15%</td>
<td>0.03%</td>
<td>0.44%</td>
</tr>
<tr>
<td></td>
<td>Vanguard Inflation-Protected Securities Fund</td>
<td>VPIX</td>
<td>69.0</td>
<td>5.10%</td>
<td>0.07%</td>
<td>0.38%</td>
</tr>
<tr>
<td></td>
<td>Lord Abbett High Yield Fund</td>
<td>LHYOX</td>
<td>83.1</td>
<td>6.15%</td>
<td>0.61%</td>
<td>0.70%</td>
</tr>
<tr>
<td></td>
<td>Pacific Funds Floating Rate Income Fund</td>
<td>PLFRX</td>
<td>41.1</td>
<td>3.04%</td>
<td>0.75%</td>
<td>0.76%</td>
</tr>
<tr>
<td></td>
<td>Payden Emerging Markets Bond Fund</td>
<td>PYEIX</td>
<td>20.2</td>
<td>1.49%</td>
<td>0.69%</td>
<td>0.85%</td>
</tr>
<tr>
<td></td>
<td>T. Rowe Emerging Markets Bond Fund</td>
<td>TREBX</td>
<td>20.2</td>
<td>1.50%</td>
<td>0.70%</td>
<td>0.85%</td>
</tr>
<tr>
<td><strong>Equity</strong></td>
<td>Vanguard Total Stock Market Index Fund</td>
<td>VSMPX</td>
<td>331.4</td>
<td>24.51%</td>
<td>0.02%</td>
<td>0.75%</td>
</tr>
<tr>
<td></td>
<td>Vanguard Developed Markets Index Fund</td>
<td>VDIPX</td>
<td>157.4</td>
<td>11.64%</td>
<td>0.04%</td>
<td>0.88%</td>
</tr>
<tr>
<td></td>
<td>Driehaus Emerging Markets Growth Fund</td>
<td>DIEMX</td>
<td>76.5</td>
<td>5.66%</td>
<td>1.19%</td>
<td>1.07%</td>
</tr>
<tr>
<td></td>
<td>DFA Emerging Markets Value Fund</td>
<td>DFEVX</td>
<td>39.1</td>
<td>2.89%</td>
<td>0.41%</td>
<td>1.07%</td>
</tr>
<tr>
<td></td>
<td>RWC Global Emerging Equity Fund</td>
<td>RWCEX</td>
<td>12.1</td>
<td>0.90%</td>
<td>1.25%</td>
<td>1.07%</td>
</tr>
<tr>
<td><strong>Real Assets</strong></td>
<td>Vanguard Real Estate Index Fund</td>
<td>VGSNX</td>
<td>97.5</td>
<td>7.21%</td>
<td>0.10%</td>
<td>0.88%</td>
</tr>
<tr>
<td></td>
<td>Vanguard Energy Index Fund(^{11})</td>
<td>VENAX</td>
<td>28.0</td>
<td>2.07%</td>
<td>0.10%</td>
<td>0.97%</td>
</tr>
<tr>
<td></td>
<td>Vanguard Materials Index Fund</td>
<td>VMIAIX</td>
<td>24.7</td>
<td>1.82%</td>
<td>0.10%</td>
<td>0.95%</td>
</tr>
<tr>
<td></td>
<td>First Sentier Global Listed Infrastructure Fund</td>
<td>FLIX</td>
<td>52.3</td>
<td>3.87%</td>
<td>0.95%</td>
<td>0.98%</td>
</tr>
<tr>
<td><strong>Cash</strong></td>
<td></td>
<td></td>
<td>0.0</td>
<td>0.00%</td>
<td>NA</td>
<td>NA</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td></td>
<td>1,352.1</td>
<td>100%</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

\(^{10}\) The percent of Actively Managed Mutual Funds is likely to increase in the future while the percent of Passive Index Mutual Funds would decrease consistent with the TRP implementation plan.

\(^{11}\) On October 6, 2021, in assessing Climate Transition Risks, the CSU Investment Advisory Committee voted to transition out of the Vanguard Energy Index Fund and reallocate to the remaining Real Assets funds. This was affected on October 27-28, 2021.
TRP Annual Spending Distributions Assist Campuses to Meet Deferred Maintenance & Capital Outlay Needs

The following chart shows the TRP market value, total funded contributions, total retained investment earnings, total spending distributions, and total investment earnings since inception as of September 30, 2021. Total TRP investment earnings equal total TRP spending distributions plus total TRP retained investment earnings.

![Bar chart showing TRP market value, funding contributions, retained investment earnings, and spending distributions since inception as of September 30, 2021.](chart.png)

Surplus Money Investment Fund (SMIF)

The Surplus Money Investment Fund (SMIF) is managed by the State Treasurer to invest State funds, or funds held by the State on behalf of State agencies, in a short-term pool. The portfolio includes Certificates of Deposit, Treasuries, Commercial Paper, Corporate Bonds, and U.S. Government Agencies.

**Apportionment Annual Yield**

<table>
<thead>
<tr>
<th>Description</th>
<th>Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>Trailing 12 months as of 09/30/21</td>
<td>0.33%</td>
</tr>
<tr>
<td>Average (FYE 06/30/07 – 09/30/21)</td>
<td>1.09%</td>
</tr>
</tbody>
</table>

12 Annual Yield calculated by CSU Treasury Operations based on the quarterly apportionment yield rates published by the State Controller’s Office.
Master Investment Policy
For The California State University

Approved on November 8, 2017
By The Board of Trustees of The California State University
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VII. Adoption of the Investment Policy Statement............................................................................................... 9
I. Scope and Purpose

This California State University Master Investment Policy ("MIP") governs the investment of California State University ("CSU") funds. CSU investments are centrally managed on behalf of the CSU System and its campuses.

The purpose of the MIP, together with investment policies that govern individual Portfolios (as defined in Section IV) and are created pursuant to delegated authority contained herein, is to provide a framework for the investment of CSU funds consistent with the goals of the CSU Board of Trustees (the "Board") and the educational mission of the CSU.

The MIP sets forth objectives, guidelines, and responsibilities that the Board deems to be appropriate and prudent in consideration of the needs of, and the legal requirements applicable to, the CSU’s investment program. The MIP is also intended to ensure that the Board, and any parties to whom the Board delegates authority, are fulfilling their fiduciary responsibilities in the oversight of CSU investments.

The MIP is a dynamic document and will be reviewed from time to time. The MIP will be modified, if necessary, to reflect the changing nature of the CSU’s assets and investment program, organizational objectives, and economic conditions.

II. Compliance with Law and Adherence to Policy

CSU investments are to be managed in full compliance with all applicable laws, rules, and regulations from various local, state, federal, and international political entities that may impact the CSU’s assets, including but not limited to the provisions of the California Education Code and California Government Code applicable to the investment of CSU funds, and in accordance with the policy objectives, guidelines, and responsibilities expressed herein.

III. Background and Investment Objectives

The investment objectives for the investment of CSU funds have been established in conjunction with a comprehensive review of current and projected financial requirements. The Board desires to provide the Chancellor, the Chancellor’s Staff, and the IAC (as defined in Section V) with the greatest possible flexibility to maximize investment opportunities. However, as agents of the Board, the Chancellor, the Chancellor’s Staff, and the IAC must recognize the fiduciary responsibility of the Board to conserve and protect the assets of the CSU investment program, and, by prudent management, prevent exposure to undue and unnecessary risk.
The following objectives shall govern the investment of CSU funds:

1. Safeguard the principal.
2. Meet the liquidity needs of the CSU.
3. Obtain the best possible return commensurate with the degree of risk the CSU is willing to assume in obtaining such return.

The Board acknowledges that these objectives may be weighted or prioritized differently for individual Portfolios depending upon the purpose of the Portfolio.

IV. Investment Portfolios

Consistent with its investment objectives, the Board has determined that CSU funds may be invested in three investment portfolios (individually, a “Portfolio” and together, the “Portfolios”) created by the CSU, with oversight by the Chancellor, the Chancellor’s Staff, and the IAC, and each with its own investment policy.

The three Portfolios and general purpose of each Portfolio are as follows:

Liquidity Portfolio (Systemwide Investment Fund—Trust or “SWIFT”)

The purpose of this Portfolio is to provide sufficient and immediate liquidity to meet the operating needs of the CSU. The investment objectives for this Portfolio shall be safety of principal and liquidity. The existing CSU Systemwide Investment Fund—Trust (SWIFT) shall serve as the Liquidity Portfolio and shall be comprised of investments authorized pursuant to California Government Code Sections 16330 or 16430.

Intermediate Duration Portfolio (IDP)

The purpose of this Portfolio is to provide opportunity for modest, additional risk adjusted returns on CSU funds not needed for immediate liquidity. The investment objectives for this Portfolio shall be safety of principal, liquidity and return. The Intermediate Duration Portfolio shall be comprised of investments authorized pursuant to California Government Code Sections 16330 or 16430.

Total Return Portfolio (TRP)

The purpose of this Portfolio is to provide opportunity for additional risk adjusted returns on CSU funds over a full market cycle. The investment objectives for this
Portfolio shall be to achieve a prudent total return within a moderate risk level. The Total Return Portfolio shall be comprised of investments authorized pursuant to California Government Code Sections 16330, or 16430 or California Education Code Sections 89724 or 89725.

The acceptable allocations for the Portfolios are as follows:

<table>
<thead>
<tr>
<th>Portfolio</th>
<th>Min – Target – Max</th>
</tr>
</thead>
<tbody>
<tr>
<td>Liquidity – Systemwide Investment Fund Trust (“SWIFT”)</td>
<td>5% - 20% - 100%</td>
</tr>
<tr>
<td>Intermediate Duration Portfolio (“IDP”)</td>
<td>0% - 52% - 95%</td>
</tr>
<tr>
<td>Total Return Portfolio (“TRP”)</td>
<td>0% - 28% - 30%</td>
</tr>
</tbody>
</table>

In addition, the CSU may invest any amount (from 0% to 100%), in any California State Treasury investment option, available now, or in the future, that the IAC and the Staff deem prudent, including, but not limited to:

- Surplus Money Investment Fund (SMIF)
- Local Agency Investment Fund (LAIF)

V. Roles and Responsibilities

Board of Trustees

The Board assumes fiduciary responsibility to conserve and protect the investment assets of the CSU, and by prudent management, to prevent exposure to undue and unnecessary risk. However, the Board also acknowledges investments are inherently risky with risk of loss and, as such, are viewed with a long-term time horizon.

As a fiduciary, the primary responsibilities of the Board are to:

1. Maintain and approve the MIP.

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1 Percentage allocations to the TRP are subject to annual phase-in restrictions through June 30, 2020 per state law.
2. Ensure that CSU investments are prudently diversified in order to obtain the best possible return commensurate with the degree of risk that the CSU is willing to assume.

3. Report annually to the California state legislature and the California Department of Finance regarding the investment of CSU funds.

The Board shall have oversight responsibility for investment of the assets and has delegated investment authority to the Chancellor, the Chancellor’s Staff, and the IAC.

**Chancellor and Chancellor’s Staff**

As agents of the Board, the Chancellor, the Executive Vice Chancellor and Chief Financial Officer, the Assistant Vice Chancellor responsible for CSU investments, and their designees (the “Chancellor’s Staff”), recognize the fiduciary responsibility of the Board to conserve and protect the investment assets of the CSU and, by prudent management, to prevent exposure to undue and unnecessary risk.

The Chancellor and the Chancellor’s Staff are hereby authorized to establish policies and procedures to implement the provisions of this MIP, including, but not limited to, the following activities:

1. Overseeing and implementing general administrative and investment operations for the Portfolios.

2. Informing the IAC on the overall investments of the CSU and each of the Portfolios to assist the IAC in fulfilling its duties.

3. Developing and implementing policies that are suitable for achieving the strategic objectives for each Portfolio, including coordination with the IAC in developing and implementing policies for the TRP.

4. Selecting, contracting with, and monitoring third party service providers, including, but not limited to, investment advisors, investment managers, and custodians. For the TRP, such actions will be based on the recommendations of the IAC.

5. Directing the investment of funds, including the ordering of purchase and sale transactions to, from and between the Portfolios to meet investment objectives and strategic asset allocations.
6. Monitoring and reviewing the performance of the Portfolios to their stated objectives.

7. Reporting to the Board regarding the investment of CSU funds as requested, but no less than quarterly.

8. Controlling and accounting for all investment, record keeping, and administrative expenses associated with the Portfolios.

9. Identifying the need for updates, monitoring the Portfolios for legal and policy compliance, and acting on the recommendations of the IAC, as appropriate.

10. All other duties designated or delegated by the Board or the IAC.

**Investment Advisory Committee**

As required by state law, the CSU has created an Investment Advisory Committee (the “IAC”), to provide investment advice and expertise to the Board, particularly with respect to the management of the TRP.

The IAC shall be an advisory body and shall make recommendations, as appropriate, to the Board for approval or to the Chancellor and the Chancellor’s Staff for implementation. The IAC shall be responsible for overseeing all aspects of the TRP and is hereby authorized to recommend policies and procedures for the creation and implementation of the TRP, including, but not limited to, the following activities:

1. Understanding the overall investments of the CSU and each of the Portfolios as informed by the Chancellor’s Staff, investment advisors and/or investment managers.

2. Developing and approving an IAC charter to establish guidelines for operations of the IAC.

3. Developing, approving, and overseeing the implementation of an investment policy statement for the TRP.

4. Reviewing and approving target asset allocations and ranges for the TRP.

5. Monitoring and reviewing the performance of the TRP to its stated objectives.

6. Prudently reviewing, selecting, monitoring, and replacing investment management firms engaged to manage the TRP’s assets.
7. Monitoring and supervising all service vendors and fees for the TRP.

8. Any other investment or administrative duties deemed necessary to prudently oversee the investment program for the TRP.

Prudence, Ethics and Conflict of Interest

All participants in the investment process shall act responsibly. The standard of prudence applied by the Board, the Chancellor, the Chancellor’s Staff, and the IAC, as well as any external service providers, shall be the “prudent investor” rule. The “prudent investor” rule in part, states, “A trustee shall invest and manage trust assets as a prudent investor would, by considering the purposes, terms, distribution requirements, and other circumstances of the trust. In satisfying this standard, the trustee shall exercise reasonable care, skill and caution. A trustee’s investment and management decisions respecting individual assets must be evaluated not in isolation but in the context of the trust portfolio as a whole and as part of an overall investment strategy having risk and return objectives reasonably suited to the trust.”

Furthermore, all participants in the investment process shall use the same care, skill, prudence, and due diligence under the circumstances then prevailing that a prudent person acting in a like capacity and fully familiar with such matters would use in the conduct of an enterprise of like activities for like portfolios with like aims and in accordance and compliance and all other applicable laws, rules and regulations.

All investment personnel shall refrain from personal business activity which could create a conflict with proper execution of the investment program, or which could impair the ability to execute impartial investment decisions. All investment personnel shall disclose to the Chancellor’s Staff or the IAC any material financial interests in financial institutions which conduct business within the jurisdiction and shall disclose any material financial investment positions which could be related in a conflicting manner to the performance of the Portfolios. All investment personnel shall report any potential conflicts of interest consistent with Government Code Section 87200. Further, the Chancellor shall report to the Board in writing any issues that could reflect any conflict in the performance of the Portfolios.

Document Acceptance of the Investment Policy Statement

The Chancellor’s Staff shall provide a copy of this MIP, and the relevant Portfolio investment policy, to each firm retained to provide investment services to the CSU and each such firm shall acknowledge in writing receipt of the document and accept its content.
VI. Environmental, Social and Governance Framework

The Board acknowledges the importance of understanding the potential risks and value that environmental, social, and governance (“ESG”) factors may have on CSU investments. Therefore, the Board expects that the consideration of ESG factors shall be integrated into the investment decision processes of the CSU.

Approved:

The California State University Board of Trustees
November 8, 2017