

## BOARD OF REGENTS POLICY: Investment of Reserves

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### SECTION I. SCOPE.

This policy governs the investment of short-term and long-term reserves of the University of Minnesota

The interest bearing portion of TIP investments shall be guided by the following:

- (a) Average duration shall be four years or less for the entire portfolio with a maximum duration of seven years for any individual holding.
- (b) Average credit quality shall be A1/A+ or better.
- (c) Individual securities owned shall maintain a rating of investment grade (defined as Baa3/BBB rating or better by Moody's or Standard & Poor's) unless otherwise specified.

- (7) any securities issued by a foreign government or corporation domiciled in a country that is not part of the Europe, Australasia, and Far East (EAFE) Index, Canada; and
- (8) derivative securities.

### SECTION III. LONGTERM RESERVES.

#### Subd. 1. Investment Objective.

The primary investment objective for the University's longterm reserves, known throughout Section III of this policy as the Group Income Pool (GIP), is to maximize the total investment return while preserving capital balances until such time as the principal is required to fund the intended use. Because of the potential for higher levels of volatility, the GIP portfolio shall be invested by investment managers or in CEF.

#### Subd. 2. Investment Guidelines.

GIP funds shall be invested on a total return basis. The following investment guidelines shall apply for GIP:

- (a) Interest Bearing Securities -Up to 100% of the portfolio may be invested in interest bearing securities that may include:
  - (1) bonds, convertible bonds, mortgagebacked and/or assetbacked securities that are issued by governments, government agencies, or corporations in developed market countries;
  - (2) securities, denominated in foreign currencies or U.S. dollars;
  - (3) securities rated below investment grade up to a maximum 20% allocation; and
  - (4) emerging market debt, up to a maximum 10% allocation.
- (b) Equity - Up to 50% of the overall portfolio may be invested in diversified equity and equity related securities and/or in CEF.
- (c) Mutual Funds -Consistent in quality with these investment guidelines.
- (d) Money Market Funds -To the extent that money market funds are used in the portfolio, underlying assets in the fund shall have a minimum commercial paper rating of A2/P2 as rated by Standard & Poor's and Moody's.

#### Subd. 3. Prohibitions.

Except for investments made in CEF:

- (a) leverage shall not be used in investing GIP funds; and
- (b) investments in derivative securities are prohibited.

### REVISION HISTORY

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Adopted: September 8, 1989

Amended: March 11, 1994 June 10, 1994 April 11, 2003; March 12, 2004; June 9, 2006; May 14, 2010; September 9, 2016