



OBJECTIVE

To establish the overall management, investment strategies and discipline of the university's Long-Term Investment Pool.

POLICY

Applies to: Office of Investments Staff, Deans, Vice Presidents and Department Heads
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I. Overview

- A. The policy is intended to permit sufficient flexibility to capture investment opportunities, yet provide parameters that ensure prudence and care in the execution of the investment program.
- B. The policy is issued for the guidance of fiduciaries, including the Board of Trustees, Investment Committee members, staff, investment managers, investment consultants and custodians for oversight of the Fund.
- C. The policy states the standards and disciplines adopted so that the Board of Trustees and its Investment Committee can effectively evaluate the performance and operations of the Endowment Fund.

II. Goals

- A. The Fund was established to provide financial support for the long-term use and benefit of the university in support of its mission. The goal is to manage Fund assets with prudence and discipline to achieve that purpose.
- B. The Fund will be invested using a total return objective to meet its goals. Funds will be invested in a manner that over the long-term will preserve and maintain the real purchasing power of the principal while allowing for an annual distribution.

III. Components of the Long-Term Investment Pool

- A. The Long-Term Investment Pool shall include long-term financial assets of the university, including endowments, quasi-endowments, term endowments and those held for the benefit of others invested in the Fund.



- B. Endowment Funds -- funds received from donors or other sources with the restriction that the original principal is not expendable.
- C. Quasi-Endowments -- funds in which the principal can be spent at the discretion of the university's Board of Trustees and can include monies whose sources are in accordance with Ohio Revised Code Section 3345.05. Quasi-endowments may include operating funds available for long-term investment and added to the Fund, subject to the 25% reserve requirement delineated in the Operating and Agency Funds Investment Policy.
- D. Term Endowment Funds -- funds for which there is a stipulation that the principal may be expended after a stated period or upon the occurrence of a certain event.

IV. Fiduciary Standards

The Board of Trustees, Investment Committee members, staff, investment managers, consultants and custodians are fiduciaries. Accordingly, these individuals are required to:

- Act solely in the interest of the university, for the purpose of providing income and maintaining the real purchasing power of the principal.
- Act with the care, skill, prudence, and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character and with like aims.
- Diversify the investments of the Fund in order to minimize overall risk, and to provide investment returns to achieve the Fund's stated goals.

V. Duties and Responsibilities

A. Board of Trustees

1. The university Board of Trustees has overall responsibility for Fund policy and approval of Investment Committee members.
2. The Board of Trustees votes on items brought forth by the Investment Committee.

B. Investment Committee of the Board of Trustees

1. The committee has strategic oversight responsibility for the investment program and operations of the Fund.



2. The committee shall work with the senior vice president for business and finance and the chief investment officer to ensure the Fund is well managed, in accordance with this policy.

3. The committee shall meet at least quarterly.

C. Senior Vice President for Business and Finance

The senior vice president for business and finance has oversight responsibility for the Fund's investment operations and reporting, and shall review operations and reporting within the Office of Investments to ensure compliance with established policies and procedures.

D Chief Investment Officer

1. The chief investment officer is responsible for managing the Fund's investment operations.

2. The chief investment officer shall review and recommend policies and procedures that are consistent with the investment objectives of the Fund.

3. The chief investment officer shall report to the senior vice president for business and finance and the Investment Committee, at least quarterly.

E. Investment Managers

1. The university utilizes external investment managers approved by the chief investment officer and senior vice president for business and finance to provide portfolio management services.

2. The investment managers may be given discretion, consistent with specified objectives and guidelines, to manage Fund assets.

3. Investment managers operate under a formal contract with the chief investment officer and the senior vice president for business and finance that delineates responsibilities, risk parameters and performance expectations, administration requirements and compensation.

4. The contract may be terminated by the chief investment officer and senior vice president for business and finance.



F. Consultants

1. The university may utilize the services of one or more investment consultants to assist the chief investment officer in the areas of: policy development, asset allocation, investment structure analysis, investment manager selection, performance review and other specialized investment topics.
2. Consultants operate under a formal contract with the chief investment officer and the senior vice president of business and finance that delineates responsibilities, risk parameters and performance expectations, administration requirements and compensation.
3. The contract may be terminated by the chief investment officer and the senior vice president for business and finance.

G. Custodians

The university retains one or more custodian banks or trust institutions to custody and report on the assets of the Fund.

VI. Distribution

- A. Distributions will be made at the beginning of each fiscal year according to a formula approved by the Board of Trustees as follows:
 1. The distribution amount will be calculated on a five-year moving average of the market value of the portfolio.
 2. The distribution rates are 4.5% for funds existing as of June 30, 2004, and 4% for all others.
 3. A collar incorporating a maximum annual distribution increase of 3% and a maximum annual distribution decrease of 1% was effective beginning July 1, 2006.
- B. In order to maintain an orderly distribution of income under the distribution policy, an income reserve shall be maintained to accrue amounts to be distributed to the endowment funds.
- C. Distributions are made to a fund's income account, which is part of the university's Operating Fund. Distributions may be reinvested into principal; however, any reinvested distribution cannot be redistributed or withdrawn at another time.



VII. Asset Allocation and Guidelines

A. Time Horizon

The Fund’s investment horizon is long-term (10+ years); therefore interim performance fluctuations should be viewed with this perspective. Similarly, the underlying capital market assumptions of the university’s asset allocation plan are based on this long-term perspective.

B. Risk Tolerance

The Board of Trustees, the Investment Committee, and staff recognize the challenge of achieving the Fund’s investment objectives in light of the uncertainties and complexities of investment markets. They also recognize that prudent levels of investment risk are necessary to achieve long-term investment objectives.

C. Asset Allocation and Rebalancing

Asset allocation is the largest contributor to overall Fund return performance and risk characteristics. The Investment Committee and the Board of Trustees will periodically evaluate asset class strategies and opportunities, and establish a long-term asset allocation plan. After a thorough study of the available asset class opportunities, return objectives and risk tolerance, the Board of Trustees and Investment Committee approved the following asset classes and allocations:

Asset Class	Target	Benchmark
US Equities	20%	Russell 3000
International Equity	20%	ACWI ex US
Fixed Income	10%	Lehman Aggregate (70%)/ Citigroup WBGI ex US (30%)
Absolute Return/Hedge	25%	90 Day T-Bill + 4%
Real Assets	10%	CPI + 5%
Private Equity	20%	Venture Economics
Cash	-5%	90 Day T-Bill

Market fluctuations, cash flows and liquidity issues will cause the actual asset allocation to diverge from the target allocation from time to time. The chief investment officer will rebalance the portfolio to policy target weightings, at least semi-annually.

D. Investment Manager Guidelines

The investment guidelines incorporated into each manager’s contract documents the



performance expectations and risk parameters of the manager's investment approach, and also specify the typical portfolio characteristics of the portfolio. These characteristics are used to monitor a manager's investment style adherence to insure that the manager is continuously fulfilling its investment role in the Fund.

VIII. Investment Monitoring Process

- A. The fund's investment managers and consultants will be monitored for consistency of investment philosophy, return relative to objectives, and investment risk.
- B. The chief investment officer and the senior vice president for business and finance will monitor the overall fund results and investment portfolios, and results will be evaluated on a long-term basis.
- C. The manager's performance will be evaluated by the chief investment officer on the following:
 - 1. failure to comply with the applicable investment style, guidelines, performance objectives, and fees,
 - 2. a material change in ownership or personnel, or
 - 3. a violation or potential violation of the terms of the investment manager agreement or other applicable laws and regulations.

IX. Account Valuation

- A. All funds are invested in the pool and are unitized.
- B. At the end of each month investments are evaluated and a unit value calculated based on the number of shares assigned to each fund. The unit value calculation also takes into account earnings, investment expenses and fees.
- C. New funds and additions/withdrawals from established funds are processed at the end of each month. Additions will purchase shares only with cash. Non-marketable gifts will be liquidated first, with cash proceeds then used to purchase shares. Withdrawals may be made only from invadible funds upon the written request of the appropriate dean or vice president.

X. Exercise of Shareholder's Rights

- A. The university recognizes that publicly traded securities and other assets of the Fund may include certain ancillary rights, such as the right to vote on shareholder



resolutions at companies' shareholders' meetings, and the right to assert claims in securities class action lawsuits or other litigation.

- B. The university requires of itself and its external managers the prudent management of these assets of the Fund for the exclusive purpose of enhancing the value of the Fund.
- C. The chief investment officer has the authority to vote proxies in accordance with the Proxy Policy.

XI. Review and Modification of Investment Policy Statement

- A. All policies of the Fund are in effect until modified by the Board of Trustees.
- B. While material changes are expected infrequently, the chief investment officer will review the Long-Term Investment Pool policy at least annually for continued appropriateness and recommend any changes to the senior vice president for business and finance, the Investment Committee, and the Board of Trustees.

XII. Exceptions

- A. Modifications and exceptions to the Long-Term Investment Pool policy shall be authorized by resolution of the Board of Trustees or as provided herein.
- B. The terms and conditions of the policy as to the endowment fund may be waived to accept and administer donated funds or property with donor restrictions and approved by the Board of Trustees.
- C. In order to meet its fiduciary responsibility to its academic programs and its donors, The Ohio State University seeks to maximize its investment returns within appropriate levels of risk under guidelines established by the Board of Trustees as granted by the Ohio Revised Code.
- D. As a public institution, The Ohio State University also recognizes a duty to support larger societal objectives as well.
- E. Divestment for non-economic reasons should be recommended through the governance process, e.g. student government, University Senate or an appropriate committee. The recommendation would go to the senior vice president for business and finance. The senior vice president for business and finance should ask the chief investment officer to review the potential impact on the investment portfolio of any divestment.



1. If the cumulative impact to the pool of divestment for non-economic reasons is less than \$5,000,000 over a two year period, the senior vice president for business and finance may then bring the recommendation forward to the President's Executive Committee for final approval.
2. If the cumulative impact to the pool is greater than \$5,000,000, the senior vice president for business and finance may then bring the recommendation forward to the President's Executive Committee for approval, but if approved, a policy change must be brought forward for a vote by the Investment Committee of the Board of Trustees.

RESOURCES

Ohio State, [Office of Investments](#), 614-292-7887

Approved by Board of Trustees, 6/2008, Resolution # 2008-122