Texas Tech University System

INVESTMENT POLICY STATEMENT

Long Term Investment Fund

Dates Approved or Amended:
-- Initial adoption of policy statement.......................... 02-26-2010
-- Sec. 13.2.a amended & Schedule C added............... 02-25-2011
-- Sec. 15.1.c, 15.3.a-b & 15.5.a amended.................. 12-16-2011
-- Sec. 11.2.a & 11.2.d + Schedule A amended 03-02-2012
-- Comprehensive review/amendments 08-08-2014
-- Various amendments throughout.............................. 05-19-2017
-- Amendments throughout to: 12-13-2019
- *update SITIF references to new STIF and ITIF;*
- *update strategic asset class ranges terminology and policy changes (on Schedule A);*
- *update management report requirements; and*
- *align the management fee assessment with the annual budget process.*

-- Amendments throughout to: 12-10-2020
- *update role and responsibility of the FAI committee, the CIO, and CFO;*
- *delete all references to STIF, ITIF, and IAC; and replace with description and function of the IRC;*
- *clarify/simplify performance benchmark and strategic benchmark;*
- *updates to statement on core investment beliefs; and*
- *inclusion of quarterly report by the CIO to the FAI committee.*

Section 0 Definitions.

0.1 "Board" or "BOR"- Board of Regents, Texas Tech University System.

0.2 "FAI" - Finance, Administration and Investments BOR.

0.3 "CIO" - Chief Investment Officer of the Texas Tech University System.

0.4 "Foundation" - Texas Tech Foundation, Inc., Angelo State University Foundation, Inc., and foundations of future component universities.

0.5 "LTIF" - Long Term Investment Fund.

0.6 "NAV" - Net Asset Value.

0.7 "SEC" - Securities and Exchange Commission.

0.8 "TTUS OI" - Office of Investments, Texas Tech University System.

0.9 “TTUS OI employees” - the Chief Investment Officer, TTUS OI staff, and the Investments Managers.

0.10 “TTU system” or “TTUS” - Texas Tech University System.

0.11 “TTUS VC and CFO” - the Vice Chancellor and Chief Financial Officer of the Texas Tech University System.

0.12 “UPMIFA” - Uniform Prudent Management of Institutional Funds Act.

0.13 “IRC” - Investment Resource Council.

0.14 “Performance Benchmark” - Performance benchmark of Global 60/40 + 100 bps over rolling three-year periods.

0.15 “Strategic Benchmark” - Strategic benchmark of CPI+5% over rolling 10-year periods.

Section 1 Introduction.

This policy statement shall guide the management of investments by the TTUS IO. This policy statement is intended to set forth an appropriate set of goals and objectives for the LTIF and to define guidelines within which the TTUS OI may formulate and execute their investment decisions.

Section 2 Endowment Funds.

Endowment funds are funds given to the TTU system with a donor-imposed restriction that the corpus is not to be expended but is to be invested for the purpose of producing returns on invested capital. Endowment funds may also include: term endowment funds for which the donor stipulates that the principal may be expended after a stated period or upon the occurrence of a certain event; and funds functioning as endowments (quasi-endowments). A quasi-endowment fund is a fund established by the Board to function like an endowment fund, which may be totally expended at any time at the discretion of the Board.

Section 3 Funds Functioning as Endowments.

The Board delegates to the Chancellor, or the Chancellor’s designee, the authority to establish a quasi-endowment fund when such a fund totals less than $250,000.

Section 4 Investment of Non-Endowment Institutional Funds in the LTIF.

Institutional funds are defined in Section 51.002, *Texas Education Code*, as amended or modified. In this policy statement, long-term institutional funds are all non-endowment institutional funds approved by the Board, for investment purposes, for inclusion in the LTIF.

Section 5 Fiduciary Responsibility.

The Board recognizes its fiduciary responsibility to comply with the restrictions imposed by the donors of endowment funds. The Board acknowledges its legal responsibility to ensure that the management of endowment and other institutional funds is in compliance with state law, including the UPMIFA, per Section 163, *Texas Property Code*, as amended or modified.

Section 6 Management Procedures.

6.1 No endowment or other institutional fund shall be considered for management under this policy unless it is under the sole control of the Board, with full discretion as to investment of principal and expenditure of funds eligible for distribution. Although certain assets of the Foundation are invested in the LTIF, the Foundation's Board of Directors and its officers are legally responsible for the management and control of those assets. The Vice Chancellor for Institutional Advancement shall ensure there are no donor-imposed restrictions preventing the use of the LTIF.

6.2 The LTIF is the TTU system's commingled endowment/institutional fund. The LTIF shall be unitized and each new endowment gift added to the fund shall receive units in the fund based upon the market value of the gift and the NAV of the fund at the latest month-end preceding the date the gift is added to the fund. The NAV will be calculated as the month-end market value of the LTIF divided by the number of outstanding units in the LTIF. Earnings determined under the policy statement's spending policy shall be calculated on a unit basis for distribution purposes.

6.3 Professional services (investment managers and advisors) deemed appropriate for the management and investment of the fund may be retained. All investment managers and advisors who are required to be registered under the Investment Advisors Act of 1940 shall provide the most recent Form ADV filed with the SEC.

Section 7 Long-term Institutional Funds Authorized Withdrawal.

Upon the approval of the TTUS VC and CFO and the appropriate Chief Fiscal Officer of the TTU system components, long-term institutional funds may be withdrawn from their investment in the LTIF. This withdrawal/reallocation will be made one year from the date of approval by the TTUS VC and CFO. The dollar amount of the withdrawal will equal the number of units withdrawn times the NAV as of the end of the most recent valuation of the LTIF. Because of changes in the NAV from the time of initial deposit, the dollar amount of withdrawal may be more or less than the original investment.

Section 8 Administration and Management of the LTIF.

8.1 The Board and institutional personnel of the TTU system shall exercise ordinary business care and prudence under the facts and circumstances prevailing at the time of the action or decision. In managing and investing the LTIF, the Board and institutional personnel shall consider all of the following:

a. the needs of the TTU system and the portfolio to make distributions while also preserving future purchasing power; and

b. the portfolio asset allocation’s expected risk-adjusted returns over multi-year and longer periods of time, which will inevitably include a wide range of events and environments for both economies and markets;

c. the role that each investment decision plays within the overall investment portfolio;

d. global, regional and national economic conditions and trajectories;

e. the expected tax consequences of investment decisions or strategies;

f. the expected total return from income and appreciation of investments;

g. other resources of the TTU system and donors;

h. an investment’s special relationship or special value, if any, to the charitable purposes of the institution.

8.2 Management and investment decisions about an individual asset must be made not in isolation but rather in the context of the LTIF’s portfolio of investments as a whole and as part of an overall investment strategy having risk and return objectives reasonably aligned with the LTIF’s stated goals and objectives.

Section 9 Spending Policy.

9.1 The Board recognizes the need for distributions to the beneficiaries of the endowment and long-term institutional funds under its control. The following spending policy reflects an objective to distribute as much total return as is consistent with overall investment objectives defined herein while protecting the inflation-adjusted value of the principal. The following factors are considered in the spending policy:

a. the duration and preservation of the LTIF;

b. the purposes of the TTU system and the LTIF;

c. general economic conditions;

d. the expected total return from income and the appreciation of investments;

e. other resources of the TTU system and donors; and

f. the overall investment policy.

9.2 The distribution of spendable earnings to each unit of the LTIF shall not exceed 6% nor be less than 4% of the average NAV of the LTIF for the 12 quarters just ended. Distribution shall be made quarterly, as soon as practicable after the last calendar day of November, February, May, and August.

9.3 The target annual distribution rate shall be reviewed annually by the FAI. Any changes will be approved by the Board.

Section 10 Core Beliefs.

This section outlines the core beliefs for the overall governance and investment of the LTIF. These beliefs will serve as guiding principles in the decision making and implementation of the LTIF's investment mandate.

10.1 A well-defined governance structure with clearly delineated responsibilities is critical in achieving consistent, long term performance objectives.

10.2 Strategic Asset Allocation, through longer term risk, return and correlation estimates, sets the amount of risk spent on each asset class, and is expected to drive the portfolio's expected return and volatility over extended periods, with potentially significant short-term variances.

10.3 Tactical Allocation should be exploited to take advantage of dislocations in markets, or significant changes in the expected risk, return and/or correlations.

10.4 Asset prices reflect the aggregated expectations for the impact of macroeconomic, fundamental, and technical factors on future performance.

10.5 The opportunity for active manager out performance (alpha) is not uniformly distributed across asset classes or strategies, and those opportunities are not static over time.

10.6 Leverage can shape a program's overall risk and return profile.

10.7 Management of liquidity risk is necessary in order to fulfill the portfolio's function within TTUS (stable spending), as well as to create the potential to benefit from inevitable market dislocations.

Section 11 Statement of Goals and Objectives.

The Performance Objective is intended to support the achievement of the TTUS endowment's Strategic Objective. The strategic benchmark reflects the purpose of the endowment within the TTUS. The performance benchmark will be used to evaluate the TTUS OI's portfolio management against the opportunity set in global capital markets and will also anchor expectations for the portfolio's asset allocation.

The investment objectives:

11.1 The Strategic Objective is to preserve the real (inflation-adjusted) purchasing power of principal and earnings after accounting for endowment spending and inflation, net of all expenses. The benchmark for the Strategic Objective is to exceed the Consumer Price Index plus 5% over rolling ten-year periods, while providing a stable source of spending for TTUS.

11.2 The Performance Objective is to outperform a market benchmark consisting of a Global 60/40 passive portfolio, consisting of the MSCI ACWI-ND and Barclays Global Aggregate Bond Index (unhedged), plus 100 basis points, over rolling three year periods.

Section 12 Investment Resource Council (IRC)

12.1 The IRC is a resource council that supports stewardship and communication. The IRC will be managed by the Vice Chancellor and CFO, in coordination with the CIO and will:

- a. Review Investment Policy Statement with asset allocation ranges
- b. Review tactical target and ranges
- c. Review performance benchmarks on a relative and risk adjusted basis
- d. Support stewardship of and communication with stakeholders.
- e. Since there is no governance or oversight role of the IRC, there will be no official chairperson.

12.2 The Composition of the IRC will include a blend of investment professionals and primary stakeholders. IRC composition will include the following:

- a. Vice Chancellor and CFO
- b. CIO
- c. FAI recommendation
- d. Component Universities' Foundations recommendation
- f. Chancellor & Chairman appointments of investment professionals
- g. CFO from each institution

12.3 Appointment shall be made by the Chancellor, in consultation with the Chairman of the Board of Regents and members of the FAI standing committee of the Board of Regents.

12.4 The IRC will meet quarterly, or as needed, at the direction of the CIO or VC & CFO.

12.5 External IRC members will serve three-year terms with staggered appointments with a maximum of two consecutive terms at the pleasure of the Chancellor.

Section 13 Governance

For approval of:	CIO	FAI	Board	Comment
Performance Benchmark	Recommend	Recommend	Approve	The Performance Benchmark will anchor expectations for the asset allocation
Strategic Targets/Ranges and Tactical Ranges	Recommend	Recommend	Approve	Long-term strategic ranges for both the Growth and Stable Value sub-portfolios
Rebalancing Ranges	Recommend	Approve	-	The CIO is authorized to tactically over or underweight against the targets as defined in Schedule A, Part 2
Manager Selection & Redemption	Approve	Review	-	The CIO is authorized to fund and redeem managers. Any changes are reported quarterly to the FAI.

13.1 Determination and implementation of asset allocation.

a. Asset allocation is the primary mechanism to select the types of broad categorical risks which drive investment return. To achieve the goal and objectives of the LTIF, the fund's assets may be invested in the categories listed in Schedule A of this policy statement ("Schedule A").

b. The LTIF shall be diversified both through two primary sub-portfolios, a growth portfolio, and a stable value portfolio.

c. Any changes to the policy targets within the approved ranges for each asset class must be communicated to the FAI. The Board will be promptly updated upon approval.

d. Any changes to the policy targets outside the approved ranges for each asset class must be approved in advance by the Board, and Schedule A shall be revised accordingly.

e. Any changes to the policy benchmark must be approved in advance by the FAI and Schedule A shall be revised accordingly. The Board will be promptly updated upon approval.

13.2 Monitoring and rebalancing of asset allocation.

a. The asset allocation shall be monitored on an ongoing basis and rebalanced as needed by the CIO. The lower and upper bounds on the tactical ranges should not be exceeded, except in unusual circumstances. In the event the bounds are exceeded, the FAI must be notified at the next quarterly meeting. However, the CIO may rebalance before reaching those limits, or set exposures anywhere within the Tactical Rebalancing Policy ranges.

b. The CIO is considered in compliance with this policy if asset classes breach a range due to market volatility or substantial increases in unrecognized gains for illiquid investments.

c. The CIO has the authority to substitute synthetic exposure in lieu of like physical exposure, and vice versa, within the portfolio or as an overlay.

d. The CIO has the authority to physically rebalance between manager accounts and/or utilize forwards, futures, swaps, swaptions, options or other synthetic exposures as a way to adjust exposures within Tactical Rebalancing ranges.

e. The CIO will report the actual asset allocation, target allocation and ranges to the FAI quarterly.

Section 14 Standards of Conduct for Investment Managers and Advisors.

The following standards of conduct for investment managers and advisors are derived from the *CFA Institute Code of Ethics and Standards of Professional Conduct* and include:

14.1 Code of ethics. Investment managers and advisors employed by the TTU system shall:

a. act with integrity, competence, diligence, respect, and in an ethical manner with the public, clients, prospective clients, employers, employees, and colleagues in the investment profession and other participants in the global capital markets;

b. place the interest of clients, the interest of their employer, and the integrity of the investment profession above their own personal interest.

c. uses reasonable care and exercise independent professional judgment when conducting investment analysis, making investment recommendations, taking investment actions, or engaging in other professional activities;

d. practice, and encourage others to practice, in a professional and ethical manner that will reflect credit on themselves and the profession;

e. promotes the integrity of and uphold the rules governing global capital markets; and

f. maintains and improve their professional competence.

14.2 Standards of professional conduct:

a. Knowledge of the law. Investment managers and advisors must understand and comply with all applicable laws, rules, and regulations of any government agency, regulatory organization, licensing agency, or professional association governing their professional activities. Investment managers and advisors must not knowingly participate or assist in any violation of such laws, rules, or regulations.

b. Independence and objectivity. Investment managers and advisors must use reasonable care and judgment to achieve and maintain independence and objectivity in their professional activities. Investment managers and advisors must not offer, solicit, or accept any gift, benefit, compensation, or consideration that could be reasonably expected to compromise their own or another's independence and objectivity.

c. Misrepresentation. Investment managers and advisors must not knowingly make any statement that misrepresents facts relating to investment analysis, recommendations, actions, or other professional activities.

d. Misconduct. Investment managers and advisors must not engage in any conduct involving dishonesty, fraud, deceit, or commit any act that reflects adversely on their integrity, trustworthiness, or professional competence.

14.3 Investment analysis and recommendations. Investment managers and advisors shall:

a. exercise diligence, independence, and thoroughness in conducting investment analysis, making investment recommendations, and taking investment actions; and

b. has a reasonable and adequate basis, supported by appropriate research and investigation, for any investment analysis, recommendation, and action.

14.4 Disclosure and conflicts of interest:

a. Managers, advisors, and potential managers must make full and fair disclosure of all matters that could reasonably be expected to impair their independence and objectivity or interfere with their respective duties to the TTU system.

b. Managers and advisors must, on an annual basis, ensure that such disclosures are prominently set forth, are delivered in plain language, and communicate the relevant information using the Texas State Auditor's Uniform Disclosure Form.

c. Managers, advisors, and potential managers are investing public funds and are subject to the Texas Open Records Act.

Section 15 Conflicts of Interest on Investments and Restrictions on Investments for Board Members and Employees of the TTUS Office of Investments.

15.1 Introduction.

a. It is the policy of the TTU system that members of the Board and TTUS OI employees having authority over, or input into, the selection of investments or investment managers shall act in a manner consistent with their responsibilities to the TTU system and avoid circumstances in which their financial or other ties to outside persons or entities could present an actual, potential, or apparent conflict of interest or impair the reputation of the TTU system.

b. Board members and TTUS OI employees should avoid any actions or situations that might result in or create the appearance of using their association with the TTU system for private gain, according unwarranted preferential treatment to any outside individual or organization, losing independence or impartiality, or adversely affecting the reputation of or public confidence in the integrity of the TTU system. Toward this end, it is the responsibility of each Board member and TTUS OI employee to ensure that the system is made aware of situations that involve personal, familial, or business relationships that could jeopardize the reputation of or public confidence in the TTU system by complying with this policy and making all disclosures and certifications as set forth herein.

c. For the purposes of this section, "business entity" means: any entity recognized by law through which business is conducted, including a sole proprietorship, partnership, firm, corporation, limited liability company, holding company, joint stock company, receivership, or trust.

15.2 Conflict of interest. A conflict of interest arises when the TTU system has or is considering a transaction or other business relationship with a Board member a TTUS OI employee, or a family member of one of these individuals (defined to include a spouse and any dependent relatives or household members). For this reason, any transaction or other business relationship between the TTU system and a Board member a TTUS OI employee, or any family member of one of these individuals is prohibited.

15.3 Presumed conflict of interest.

a. A conflict of interest is presumed to arise when the TTU system has or is considering an investment in a business entity in which a Board member, a TTUS OI employee, or a family member of any of these individuals has a substantial financial interest. A financial interest is presumed to be substantial if it entails:

(1) any ownership or investment interest in a business entity (including stock, options, a partnership interest, or any other ownership or investment interest) valued at more than $10,000, except equity in a company amounting to less than 10% ownership interest in the company;

(2) receipt of funds from the business entity that exceed 10 percent of the Board member's gross income for the previous year, or the expectation of the receipt of such funds in the future;

(3) any ownership interest in real property, personal property, intellectual property or any other interest valued at $10,000 or more;

(4) a position of real or apparent authority in a business entity such as director, officer, trustee, partner, agent, controlling shareholder, shareholder with a 10% or more voting interest, or a direct or indirect participating interest in any shares, stock or otherwise, regardless of whether voting rights are included, in 10% or more of the profits, proceeds or capital gains of the entity involved; or

(5) any position as an employee of the entity involved.

b. A Board member, or a TTUS OI employee is not deemed to have a substantial financial interest in a publicly traded entity by reason of an investment in that entity by another publicly traded entity, such as through a mutual fund or non-discretionary managed account or PIPE, of which the Board member does not control investment decisions.

15.4 Determination of a conflict of interest. In a situation where a Board member or TTUS OI employee has a presumed conflict of interest but contends that there is no actual conflict of interest, the TTUS VC and CFO shall make the determination of whether there is an actual conflict of interest and shall advise all involved parties of the determination.

15.5 Restriction on parallel investments.

a. A conflict of interest also may arise when a Board member, a TTUS OI employee, or a family member of any of these individuals has or is considering an investment in a business entity, including a fund or partnership, that may or may not be publicly traded and in which the TTU system has or is considering an investment. Such parallel investments may create at least an appearance that the Board member, or TTUS OI employee is benefiting from the TTU system's participation in the business entity. When these individuals have any financial interest in any such business entity in which the individual otherwise knows the TTU system has or is considering an investment, these individuals should promptly disclose to the TTUS VC and CFO as follows: in the case of a publicly traded business entity, any substantial financial interest; or in the case of a privately held or traded business entity, any financial interest. The individual should not participate in any decisions whatsoever regarding such investment by the TTU system.

b. Privately held or traded business entity. In order to avoid the perception of a conflict of interest between the TTU system and any Board member or TTUS OI employee, the TTU system shall not invest in any privately held or traded business entity in which any of these individuals, or a family member has any financial interest. Likewise, these individuals shall not invest in a privately held or traded business entity in which the TTU system has a financial interest. Such restrictions on investments shall continue to apply for one year after the departure of the Board member from the Board or the TTUS OI employee from the TTU system.

c. Any investment made on behalf of a Board member from the Board or the TTUS OI employee from the TTU system in any investment is not deemed in conflict if within a non-discretionary investment vehicle.

15.6 Annual requirements.

a. All Board members and TTUS OI employees annually shall:

(1) review this policy on conflicts of interest and restrictions on investments;

(2) acknowledge by his or her signature that he or she has read and understood the policy and is and has been in full compliance with the letter and spirit of this policy; and

(3) in the case of members of the Board, file financial disclosures as required by Section 03.03.4, *Regents' Rules*; or

(4) in the case of TTUS OI employees, file the disclosure statement as required by Section 03.04.4, *Regents' Rules*.

b. All disclosures required under this section shall be filed with the office of the TTUS VC and CFO.

Section 16 Communications and Reporting.

16.1 The investment managers are responsible for frequent and open communication to the TTU OI on all significant matters pertaining to the investment policies and the management of the LTIF assets.

16.2 The reporting responsibilities include:

a. communicating major changes in the investment managers' investment outlook, strategy, and portfolio structure;

b. communicating significant changes in the ownership, organizational structure, financial condition, or personnel staffing;

c. communicating, on a monthly or quarterly basis, all investment activities during the preceding month or quarter and providing valuation reports of the month- or quarter-end portfolio holdings;

d. communicating, on a quarterly basis, the performance of investment managers' activities; and

e. meeting at least annually, to discuss the managers' performance, investment outlook, investment strategy and portfolio re-balancing strategies.

16.3 Any breach of guidelines will be promptly reported to the CIO.

Section 17 Management Reports.

17.1 Quarterly, the CIO shall submit a written report of the status of the investments portfolio to the Chair of the Board's FAI Committee, the Chancellor, and IRC.

17.2 The report required by Section 18.1 shall contain a summary of the following:

a. asset balances, at market value, by asset class; targets, ranges, and

b. performance, absolute and relative to the Performance and Strategic Benchmarks

Section 18 Management Fee.

18.1 The TTU System will assess and retain an investment management fee.

18.2 The fee will be assessed on a quarterly basis, and average market value will be based on a 12-quarter rolling average of the total net asset value of funds managed.

18.3 The TTUS OI shall be funded by a management fee assessed upon the LTIF.

18.4 The management fee rate shall be reviewed annually by the TTUS VC and CFO in conjunction with the preparation of annual operating budgets. Any recommended changes will be communicated during the annual budget process as outlined in Section 07.04, *Regents' Rules*.

Section 19 Securities Lending.

19.1 For funds managed in a separate account format, the LTIF may not participate in securities lending unless recommended by the CIO and approved by the FAI. Any authorization for securities lending in separate accounts must be reported in advance to the Chair of the FAI. Also, any such authorization shall be reported as an Information Agenda item at the next Board meeting.

19.2 Commingled funds are exempt from this restriction.

Section 20 Amendment of Investment Policy Statement.

The Board will review and, if necessary, update the LTIF investment policy statement on an annual basis.

Section 21 Effective Date.

This investment policy was approved by the Board on December 10, 2020.

Schedule A

1. POLICY ALLOCATION TARGET & RANGES

Sub-Portfolio	Performance Benchmark	Target	Strategic Range	Tactical Range
Growth Sub-Portfolio	MSCI All Country World Index – Net Dividends	60%	+/-20%	+/-10%
Stable Value Sub-Portfolio	Barclays Global Aggregate – Unhedged	40%	+/-20%	+/-10%

2. ASSET CLASS DESCRIPTIONS, INVESTMENT STRATEGIES, AND LEGAL STRUCTURES

a. Growth Sub-Portfolio:

The Growth Sub-Portfolio is a mix of equity strategies with the objective of outperforming the 60% ACWI-ND exposure of the Performance Benchmark.

(1) Investment strategies: Public Equity, Private Equity, Equity Hedge Funds, Real Estate Equity and equity based derivatives. The assets or strategies listed are illustrative, not a definitive list.

b. Stable Value Sub Portfolio:

The Stable Value Sub-Portfolio is a mix of strategies with low correlation to the Growth Sub-Portfolio with the objective of outperforming the 40% Barclays Global Aggregate (unhedged) of the Performance Benchmark.

(1) Investment strategies: Cash, Cash Equivalents, Government Debt, Debt Issued by Government Agencies, Investment Grade Debt, Below Investment Grade Debt, Private Placement Debt, Asset-backed Securities, Structured Credit, Hedge Funds, Convertible Debt, volatility strategies, hedging strategies, and Distressed Debt. The assets or strategies listed are illustrative, not a definitive list.

Schedule B

DERIVATIVES POLICY

The risks of derivatives, like all investments, should be evaluated in the context of the total portfolio. The CIO will employ a Derivatives Manager to implement derivatives transactions and manage collateral for the LTIF. Investment Managers may utilize derivatives within the scope of their respective investment policies.

1. Permissible Derivatives:

   a. Forward-based derivatives, including forward contracts, futures contracts, interest rate swaps, total return swaps, and similar instruments.

   b. Option-based derivatives, including put options, call options, interest rate caps and floors, and similar instruments.

   c. Both Exchange Traded and Over-the-Counter ("OTC") derivatives may be utilized (see Managing Counterparty Risk below).

2. Derivatives Exposure Limits:

   a. The "Collateral Assets" of the LTIF.

   b. The total notional value of all derivatives contracts managed by the Derivatives Manager on behalf of the LTIF is the "Total Derivatives Notional".

   c. Total Derivatives Notional is limited to 200% of the value of Collateral Assets.

   d. For example, if Collateral Assets are $250 million, then the Total Derivatives Notional can be no more than $500m.

   e. In addition, the notional value of proprietary investment strategies developed by investment banks and delivered using derivative contracts are limited to 10% of the total value of the LTIF due to their complexity.

   f. The Total Derivatives Notional is calculated without regard to the notional value of derivatives by Investment Managers, as those exposures are governed by strategy-level investment policies.

3. Counterparty Risk: Counterparty risk arises though the use of OTC derivatives. Counterparty risk is mitigated primarily through the use of collateral (cash or Treasuries)

that is moved to cover any mark-to-market exposure that arises. Any OTC transactions entered into by the LTIF will be governed by ISDA documentation including a Credit Support Annex (CSA). The Derivatives Manager will be responsible for monitoring all counterparty exposures on behalf of the LTIF and will work with derivatives counterparties to move collateral to appropriately as documented in CSAs agreed with each counterparty. LTIF Investment Managers that utilize OTC derivatives are also required to monitor counterparty risk, to transact under ISDA/CSA documentation and to ensure that all derivatives transactions are adequately collateralized.

a. All counterparties shall have a long-term credit rating of at least BBB/Baa2 or equivalent by at least one nationally recognized rating agency at the time the related derivative is executed. If the term of the derivative contract is less than one year, a counterparty shall have a short-term credit rating of at least A1/P1 or equivalent by at least one nationally recognized rating agency at the time the related derivative is executed. If a counterparty is downgraded below the required levels, the Derivatives Manager must notify the CIO within one week to discuss options regarding termination of the contract.

b. Investment Managers and the Derivatives Manager are responsible for adhering to approved counterparty credit guidelines. Any deviation from these guidelines requires the written approval from the CIO prior to executing any transactions.

Schedule C

CONSULTANT RESPONSIBILITIES

The CIO may retain the services of a consultant with consultation and approval of the CFO to assist staff as needed.