INVESTMENT POLICY MODIFICATION

Action Requested: Consider recommending to the Board approval of the proposed investment policy changes as a first and only reading.

Executive Summary: During the performance reviews with numerous external fund managers on March 3, a suggestion was made to provide a more consistent treatment among corporate debt, mortgage pass-through and asset-backed securities in Regent investment policies for the operating portfolios.

Wilshire Associates recommends the following change to the Board’s investment policy to implement that parallel

E. Operating Funds Investment Guidelines

4. Authorized Investments (Iowa Code §§12B.10.6d and 12B.10A.5d)

   g. Corporate debt with a maturity of greater than 270 days that is rated investment grade by Standards & Poor’s or Moody’s (at least BBB- or Baa3, respectively), or by another Nationally Recognized Statistical Rating Organization (NRSRO), including Rule 144A Securities that are deemed to be of investment grade credit quality by the external or internal investment manager, at the time of purchase. Rule 144A was introduced by the SEC to allow corporations to place securities privately with large sophisticated institutional investors without extensive registration documents.

   h. External investment managers overseeing operating portfolio funds may purchase mortgage pass-through securities and asset-backed securities that are issued by U.S. government agencies or carry an BBB- or Baa3 A-rating at the time of purchase from Standard & Poor’s or its equivalent as defined by Moody’s or another Nationally Recognized Statistical Rating Organization (NRSRO).