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REVISION TO THE BOARD OF REGENTS POLICY MANUAL – INVESTMENT POLICY

Recommended Action: Recommend that the Board approve, as a first and final reading, a revision to the Investment Policy, Chapter 7.04G(11) of the Board of Regents Policy Manual.

Executive Summary: Board Policy Manual Chapter 7.04G(11) Investment Policy–Permitted Investments should be revised to allow bank loans as an approved investment type and to diversify assets and manage investment risk.

CURRENT CHAPTER §7.04G(11)

Permitted investments include:

11. With approval, bank loans (senior floating rate corporate loans and debt instruments) and ~~below investment grade~~ corporate bonds below investment grade as defined by Standard and Poor's or its equivalent by Moody's or another Nationally Recognized Statistical Rating Organization. ~~This~~ These types of investments may be made strategically as a fixed allocation or opportunistically by designated investment grade managers. Investments shall be in limited liability investment vehicles, such as limited partnerships, limited liability corporations, and other pooled investment funds. Additional credit quality restrictions may be made in the designated manager's investment guidelines.

Background/Analysis: The Board at its meeting on August 8, 2013 approved a new sub-asset class of fixed income investments for bank loans, but did not address specifically the types of bank loans in the proposed pools. Since some of the underlying assets in the commingled bank loan funds are not specifically authorized investments, the Board of Regents is asked to approve a revision to the Policy Manual before making any investment in this asset type.