

# Revisions to the Total Fund and Global Fixed Income Policies— Second Reading

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# Introduction

Staff is seeking approval from the Investment Committee regarding the proposed revisions to the Total Fund and Global Fixed Income Investment Policies resulting from the new Strategic Asset Allocation (SAA) that the Board approved in the November 2021 Investment Committee meeting. This is the second read of the proposed changes presented in the March Committee meeting.

The proposed changes listed in this item are intended to facilitate the new SAA and include:

- Addition of Private Debt as a new asset class
- Increased allocations to Private Equity and Real Assets
- Introduction of total fund strategic leverage
- Adjustments to public market exposures

In addition, we received board direction in two areas and incorporated those changes, which included consolidating the standalone program policies into the Total Fund Policy and reviewing the targets and ranges of the Private Debt program.

All other content presented in the first read to the Committee in March is unchanged.

# Total Fund Policy Changes

The following Total Fund Policy changes are designed to achieve the SAA set by the Board.

## 1. Asset Allocation

- Add Private Debt, Strategic Leverage, and allocation changes to the Fixed Income Segments (e.g. Emerging Markets Sovereign) - ***Unchanged from March IC***
- Update target weights and ranges - ***Unchanged from March IC***
- Update the Board approved benchmarks for new segments - ***Unchanged from March IC***

## 2. Investment Leverage

- Reduce active leverage from 20% to 15% and introduce 5% strategic leverage (keeping effective limit at 20%) - ***Unchanged from March IC***
- Clarify use and parameters of strategic and active leverage - ***Unchanged from March IC***
- Move measurement details to policy related procedures (consistent with the level of detail throughout Policy) - ***Unchanged from March IC***

# Program Area Policy Changes

The following Program Area Policy changes are designed to achieve the SAA set by the Board.

## 1. Global Fixed Income Program Policy

- Updated to reflect a total of five segments (Treasury, Mortgage-Backed Securities, Investment Grade Corporates, Emerging Market Sovereign, & High Yield) - ***Unchanged from March IC***
- Updated the investment constraints and limitations to include duration management limits for each individual segment - ***Unchanged from March IC***

## 2. Private Debt (Total Fund Policy)

- New to Total Fund Policy, Private Debt has a new strategic asset allocation of 5% - ***Unchanged from March IC***
- The policy, like the strategy is based on core elements of the Opportunistic strategy, which is where it incubated in the last few years - ***Unchanged from March IC***
- Incorporated the same staff authority limits as Opportunistic - ***Unchanged from March IC***
- Defined the strategies and ranges for Private Debt – ***Adjusted per Committee direction in March IC***

# March IC Board Direction

As directed by the Board, staff incorporated the following changes:

1. Consolidated the standalone asset class policies that were previously separate governance documents (Private Equity, Global Fixed Income, etc.) into the Total Fund Policy with the idea that it increases consistency and readability. Key highlights:
  - Core content in these policies was not changed
  - Redundant content was removed, such as the Table of Contents, Introduction paragraph, references to appendices, the Glossary, etc. See Attachment 7 (redline of standalone policies) and Attachment 3 (clean view post-incorporation).
2. The targets and ranges of the Private Debt program were reviewed with Wilshire, which resulted in narrowed strategy ranges to ensure an appropriate level of diversification and acknowledgment that specific targets for each strategy will be established once the new program has sufficiently increased in size.