

# Revisions to the Total Fund and Global Fixed Income Policies– First Reading

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# Introduction

In November 2021, the Board approved a new Strategic Asset Allocation (SAA). The new SAA requires implementation of several new features, including:

- 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

The proposed changes listed in this item are intended to facilitate the new SAA. This is a first read of the policies and staff is seeking input from the Investment Committee (Committee).

As required by the Total Fund Policy, staff shall periodically review and make recommendations to the Committee regarding:

- New policy development
- Policy revisions
- Policy repeals and
- Other Policy aspects that the staff considers pertinent

# Overview of Investment Policy Changes

## Total Fund Investment Policy

Purposes and objectives for activities and programs that have a cross-asset class reach

- Investment Beliefs
- **Asset Allocation Strategy**
- **Benchmarks**
- Investment Risk Management
- Global Derivatives and Counterparty Risk
- **Investment Leverage**
- Divestment
- Liquidity Program
- Low Duration Fixed Income Program
- **Opportunistic Program**
- Securities Lending
- Terminated Agency Pool
- Plan Level and Asset Class Transition Portfolios
- Role of Private Asset Class Board Investment Consultants
- Governance and Sustainability Strategy
- **Private Debt \***

## Asset Class Investment Policies

Purposes and objectives specific to an investment program

- Global Equity Policy
- **Global Fixed Income Policy**
- Private Equity Policy
- Real Assets Policy
- Other Programs (Inactive)

### Notes

Bold font indicates policy with changes proposed

\* Private Debt emanated out of the Opportunistic Program. While it is a new asset class, it remains a component of the Total Fund Policy due to the future goal of consolidating all asset classes in the Total Fund Policy.

# 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)
- Update target weights and ranges
- Update the Board approved benchmarks for new segments

## 2. **Investment Leverage**

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

# 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)
- Updated the investment constraints and limitations to include duration management limits for each individual segment

## 2. Private Debt (Total Fund Policy)

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

# Next Steps

- This item is a first read
- Solicit Investment Committee feedback on the potential changes
- Incorporate the feedback
- The policy changes will be brought back for a second read as an action item in June to seek the Committee's review and approval