

# **THE CITY UNIVERSITY OF NEW YORK**

## **University Investment Policy Statement for the Optional Retirement Program and Tax-Deferred Annuity Plan**

### **INTRODUCTION**

#### **General**

The City University of New York (“CUNY”) sponsors the CUNY Optional Retirement Plan (“ORP”) and the CUNY Tax Deferred Annuity Plan (“TDA Plan”) (together herein referred to as the “Plans”) for the benefit of its employees and their beneficiaries. The Plans are intended to provide eligible employees with long-term accumulation of retirement savings through a combination of employee and employer contributions to individual accounts and tax-deferred growth of those accounts.

The Plans are defined contribution, participant-directed individual account plans established and maintained by the CUNY Board of Trustees (“Board”) pursuant to the applicable provisions of the New York Education Law. The ORP is a defined contribution plan qualified under Internal Revenue Code (“IRC”) Section 401(a), and the TDA Plan meets the requirements of IRC Section 403(b) as a plan that accepts elective deferrals only. The Plans are governmental plans as defined under the IRC and the Employee Retirement Income Security Act (“ERISA”), and as governmental plans the Plans are exempt from ERISA.

It is the intent of the of the Committee on Faculty, Staff, and Administration (“CFSA”) that the Plans will provide a range of funding options that will enable participants to invest according to varying risk tolerances and savings time horizons. Assets in the Plans shall be maintained in compliance with all applicable laws governing the operation of the Plans. Nothing in this Investment Policy Statement (“IPS”) shall authorize the CFSA to provide investment advice to participants or beneficiaries of the Plans, nor should any recommendation to the Board with respect to the investments under the Plans be construed as investment advice to any participant or beneficiary.

#### **Purpose of the Investment Policy Statement**

The purpose of this IPS is to establish and document the investment goals and objectives for the Plans. The IPS also describes the various operational guidelines intended to assist the CFSA in its role of selecting and monitoring the investment options under the Plans and providing recommendations to the Board. Specifically, this document is intended to:

- Describe and allocate responsibilities related to investment matters involving the Plans;
- Describe the investment objectives for the Plans;

- Create the framework and criteria for developing a process for selecting and monitoring the investment options under the Plans; and
- Establish criteria for the ongoing review and evaluation of each investment option.

### **Investment Objectives**

Recognizing that the participants in the Plans have varied goals, expectations, investment time horizons and risk tolerance levels, it is the CFSA's objective to provide a broad array of investment options so that each participant may exercise control over his or her account to build portfolios consistent with his or her specific needs and objectives. Accordingly, the Plan's investment options will:

- Be diversified;
- Allow participants to choose among such options and achieve a portfolio with aggregate risk and return characteristics at any point within the range normally appropriate for participants of the Plans;
- Allow a participant to achieve a portfolio that tends to minimize through diversification the portfolio's overall risk; and
- Be selected to control administrative, management and participant costs.

### **DELEGATION OF RESPONSIBILITIES**

#### **The Board of Trustees**

The Board will have the final discretionary authority for:

- Selecting and terminating investment options;
- Approving this IPS and all amendments thereto;
- Engaging and delegating responsibilities to third party investment consultants;
- Delegating responsibilities to the CFSA as described below; and
- Monitoring the activities of the CFSA on a regular basis.

#### **The CFSA**

The CFSA shall be responsible for advising the Board on all matters relating to the investment options under the Plans. The CFSA's responsibilities shall include:

- Developing and implementing a methodology for reviewing and evaluating the investment options offered under the Plans;
- Regularly reviewing and evaluating the investment options available under the Plans;
- Advising the Board on the selection and termination of the investment options available under the Plans and generally recommending the composition of the investment menus available under the Plans;

- Advising the Board on the overall number and types of options offered to participants of the Plans;
- Periodically reviewing adherence to this IPS and recommending changes thereto when conditions relevant to the Plans have changed;
- Recommend the hiring and termination of third party investment consultants to the Plan. With respect to such consultants who are hired to advise the Plan or to which the responsibility for selecting and monitoring investment options are delegated, the CFSA shall also be responsible for:
  - Developing a clear definition of the scope and terms of the delegation and assessment of the reasonableness of the compensation charged by the third-party;
  - Exercising proper due diligence of the third party including assessment of its independence and potential conflicts of interest;
  - Regular monitoring of the performance of the third party including reasonable efforts to verify the accuracy of the information and quality of the advice provided;
  - Where applicable, requiring contractual provisions allowing CUNY to terminate the contract without penalty upon not more than reasonable notice and in the case of discretionary responsibilities delegated to the third party, requiring the consultant to exercise the care and prudence applicable to a plan fiduciary; and
  - When authorized by the Board, delegating responsibilities to third party investment consultants; and
- Obtaining appropriate levels of staffing in order to meet its responsibilities and achieve its objectives.

### **Participant Responsibilities**

The Plans' participants will be able to direct their account balances among a range of investment options which provide them an ability to create a portfolio with aggregate risk and return characteristics appropriate for themselves at any point within the range normally appropriate for participants. Participants bear the investment risk and benefit from the investment gain with respect to the returns credited to their investment options. Participants are responsible for:

- Educating themselves regarding the various aspects of saving and investing; and
- Selecting and monitoring their investments.

### **INVESTMENT OPTIONS**

#### **Investment Categories**

The Plans will provide each participant with the ability to diversify among an array of asset classes in order for participants to construct individual portfolios consistent with their desired

level of risk over their respective time horizons. The Plans offer funding options through annuities and, where permissible, mutual funds, including, without limitation, those in the asset categories listed below. The CFSA may recommend that the Board add or delete asset categories as it deems appropriate.

- A. Lifecycle/Target-Date Funds: Such funds provide a multi-asset-class funding solution that offers investment diversification incorporating an allocation that progresses from more aggressive to more conservative as the participant approaches a given target retirement date.
- B. Stable Value: Stable value options are provided by an insurance company or investment manager (issuer), and seek to provide a minimum level of income while preserving principal.
- C. Cash or Equivalents: Cash options invest in a portfolio of short-term securities to maximize current income while preserving capital.
- D. Fixed Income/Balanced: Fixed income funds seek favorable long-term returns by investing in diversified portfolios of fixed income securities, which achieve returns through interest payments and capital appreciation of the underlying securities. This category includes intermediate-term bonds, inflation-linked bonds and balanced accounts, where balanced accounts provide well-diversified, self-maintaining asset allocation investments for participants, typically with a target allocation of 60% equity and 40% bonds.
- E. Actively Managed Equity Funds: Seek favorable long-term returns from capital appreciation and dividend income by investing in a portfolio composed of a broad cross-section of common stocks. These funds can invest in domestic stocks, foreign stocks, or a combination of the two.
- F. Index Funds: Index funds enable participants to achieve a rate of return that approximates the return of a specific benchmark with reasonable fees. These funds can track the performance of U.S. and non-U.S. markets, as well as by style [growth/value/core] and capitalization [small/mid/large] within these markets.
- G. Real Estate: Seeks favorable long-term returns from income and appreciation primarily from private real estate investments.

The current investment options offered under the Plans are listed in Appendix A, B, C and D, together with the appropriate benchmarks and peer universe (as applicable) for each such option.

### **Investment Option Selection, Monitoring, and Termination**

The CFSA shall fairly and rigorously evaluate current and prospective investment options so that the aggregate risk and return characteristics at any point are within a range normally appropriate for participants. In this regard, the CSFA intends to utilize industry best practices, including a thorough examination of each firm on a number of different factors listed below.

- Organization: the firm's history, integrity, ownership structure, compliance record, assets under management and quality and stability of key professionals and staff.
- Investment Philosophy & Process: the consistency of the firm's philosophy, strategy and process with its investment mandate, as well as fit with Plan objectives.
- Performance net of fees versus appropriate benchmarks and over appropriate time periods and market cycles.

Although investment options that employ active management are selected to outperform their respective benchmarks, it is a commonly accepted fact that even strong managers may have periods of relative underperformance. Further, manager performance tends to be cyclical, so that managers who underperform in one cycle often will outperform in the next and vice versa. In that regard, the CFSA intends to evaluate manager returns over various and appropriate time periods.

The CFSA will monitor investment options on an ongoing basis in terms of performance and compliance with Policy objectives. Performance will be compared to appropriate market benchmarks over appropriate time periods and reviewed and reported to the Board periodically.

The CFSA may place a manager on a watch list in response to concerns about the manager's performance, changes in its organization, people, or strategy or any other reason that the CFSA deems appropriate. The CFSA may recommend that the Board add or delete individual investment options as it deems appropriate.

### **Default Investment Alternative**

The CFSA may recommend that the Board establish or maintain a default fund or funds to allocate contributions to the Plans when a participant fails to make an investment selection for his or her contributions. Such default fund or funds will be generally consistent with the requirements of the applicable Department of Labor regulations on Qualified Default Investment Alternatives. The default option will be reviewed by the CFSA on an annual basis (or, more frequently, if necessary) to ensure it continues to be appropriate.

### **CHANGES TO INVESTMENT POLICY**

This Policy shall be in force until modified in writing and approved by the Board. The CFSA will review this Policy at least annually to ensure continued appropriateness, but may recommend that the Board revise it at any time it sees fit.