

**RESOLUTION OF THE BOARD OF TRUSTEES OF THE UTAH TRANSIT
AUTHORITY APPROVING AND ADOPTING A REVISED INVESTMENT POLICY
OF THE AUTHORITY'S EMPLOYEE RETIREMENT PLAN**

R2022-10-01

October 12, 2022

WHEREAS, the Utah Transit Authority (the "Authority") is a large public transit district organized under the laws of the State of Utah and was created to transact and exercise all of the powers provided for in the Utah Public Transit District Act; and

WHEREAS, the Board of Trustees ("Board") established the Utah Transit Authority Employee Retirement Plan (the "Retirement Plan") to provide a retirement system for its employees; and

WHEREAS, the Board established a committee (the "Pension Committee") to help oversee the administration of the Retirement Plan; and

WHEREAS, the Pension Committee has created a policy document revising the funding and investment policies for the Retirement Plan that were previously adopted in 2016 (the "Investment Policy"); and

WHEREAS, Board Policy 2.1 – Financial Management requires the Board of Trustees to review and approve the Pension Committee's Investment Policy prior to adoption; and

WHEREAS, it is the recommendation of the Pension Committee that the Board of the Authority approve and adopt the Investment Policy; and

WHEREAS, the Board of the Authority wishes to adopt the Investment Policy for the Retirement Plan and authorize the Pension Committee to execute it.


NOW, THEREFORE, BE IT RESOLVED by the Board of Trustees of the Utah Transit Authority:

1. That the Board hereby confirms the recommendation of the Pension Committee that the Investment Policy be adopted.
2. That the Board hereby approves and adopts the Investment Policy in substantially the same form as the document attached as "Exhibit A" to this resolution and authorizes the Pension Committee to execute it.
3. That the Board hereby approves amending the Authority's investment management agreement to incorporate the new Investment Policy in substantially the same form as the document attached as "Exhibit B" to this resolution and authorizes the Pension Committee to execute it.

4. That the Board formally ratifies prior actions taken by the Authority, including those taken by the Pension Committee, Executive Director, the Chief Financial Officer, staff, and counsel that were necessary or appropriate to give effect to this Resolution.

5. That the corporate seal be attached hereto.

Approved and adopted this 12th day of October 2022.

DocuSigned by:

80E38485ACBE4D0...
Carlton Christensen, Chair
Board of Trustees

ATTEST:

DocuSigned by:

8D8A6B07F3AA459...
Secretary of the Authority



(Corporate Seal)

Approved As To Form:


DocuSigned by:

5E3257B1CF024B9...
Legal Counsel

Exhibit A
(Investment Policy)

Utah Transit Authority Employee Retirement Plan

INVESTMENT POLICY

2022 February 2016

Approved

October

INVESTMENT POLICY CONTENTS

	<u>Page</u>
I. PURPOSE	3
II. ROLES AND RESPONSIBILTIES	3
III. LONG TERM ASSET ALLOCATION POLICY	6
IV. IMPLEMENTATION ISSUES	8
V. CONTROL AND EVALUATION	9

The following is the Pension Committee’s statement of (i) funding policy and (ii) investment policy, objectives, and guidelines for the Utah Transit Authority Employee Retirement Plan (the “Plan”). It is prepared by the Committee as direction to the Fund Custodian, Investment Advisor and Investment Managers and is subordinate to the plan document provided it is not inconsistent with the plan document.

I. PURPOSE

The Plan is a defined benefit pension plan qualified under the Internal Revenue Code that covers both administrative employees and those employees covered by a collective bargaining agreement. The Plan intends to provide a vested pension whose amount depends on length-of-service and other parameters described in the Plan. The Authority intends to build and maintain the Fund, by means of contributions that satisfy legal requirements and by means of investment return.

Because of the long-term nature of the Plan's obligations and funding policy, and the expected cash flow needs to pay benefits, the Plan's investment policy is to manage the Fund:

- i. With long-term (five years and more) objectives
- ii. With an emphasis on total return more than on high current income or the need to maintain ready-cash reserves
- iii. With the intent to achieve the highest possible long-term rate of return without taking excessive risk that could jeopardize the Plan’s funding policy or subject the Plan to undue funding volatility

In providing the framework for the management of the Plan assets, the policies contained in this document are designed to meet the following objectives:

- i. Provide for the availability of funds for benefits as they become due
- ii. Maintain the Trust’s purchasing power
- iii. Maximize total return subject to prudent risk-taking and expense management
- iv. Diversify assets across and within capital markets
- v. Maximize the Plans’ ABO funded levels

Secondary to these primary objectives, specific objectives for the Plan include achieving a rate of investment return (net of asset management expenses) over a full market cycle (generally considered 3-5 years) that:

- i. Exceeds the Plan’s actuarial investment rate assumption (currently 6.757.25% per annum)
- ii. Exceeds by 3.5% per annum the rate of inflation (as measured by the Consumer Price Index for all Urban Consumers)

II. ROLES AND RESPONSIBILITIES

Definitions

“ABO” means accrued benefit obligation. At a given time, the Plan’s accrued benefit obligation is the sum of the present value of (i) the pensions earned by active and terminated vested participants, and (ii) the pensions remaining to be paid to retirees.

"Authority" means Utah Transit Authority.

“Board” means the Board of Trustees of the Authority.

"Committee" means the Pension Committee as established by the Utah Transit Authority Employee Retirement Plan.

"Fund" means the assets held in the Trust Fund created by the Plan.

“Fund Custodian” means the holding company appointed by the Committee to provide institutional investment and brokerage services.

“Investment Advisor” means the current Registered Investment Advisor employed to manage the assets of the Plan on a discretionary basis.

“Investment Manager” means the asset manager or managers who have a responsibility to manage portions of the assets of the Plan as directed by the Investment Advisor or the Committee.

“Participant” means an Authority employee who is eligible to be a participant under the Plan.

"Plan" means the Utah Transit Authority Employee Retirement Plan.

“Staff” means individuals from the Authority assigned responsibility for assisting the Committee in the operational aspects of the Plan.

"Statement" means this investment policy statement as adopted by the Pension Committee.

Roles and Responsibilities

Committee

The Committee has been delegated plan management authority and responsibility by the Plan to implement and maintain the provisions of this Statement and to take any corrective actions as needed. In this capacity, the Committee has the authority to employ persons to render advice with respect to its responsibilities under the Plans. The Committee has the responsibility to periodically review all pertinent participant information and Plan data in order to establish the funding policy of the Plan. The Committee and its members are considered fiduciaries and are held to a standard of care that anticipates plan assets being managed solely in the best interests of the plan participants and beneficiaries. This will be achieved by:

- i. Performing all fiduciary duties solely in the interest of plan participants and their beneficiaries
- ii. Discharging all responsibilities with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with like aims

The Committee’s other responsibilities include:

- i. Establishing and periodically reviewing the appropriateness of the Plan’s asset allocation policy (which may be expressed as a range)
- ii. Making revisions to this Statement to reflect changing conditions within the Plan

- iii. Monitoring compliance with this Statement
- iv. Appointing agents and advisors such as the Plans' actuary and accountant, and fiduciaries such as the Fund Custodian, Investment Advisor, and Investment Managers
- v. To the extent that the Committee elects to do so, employing one or more Investment Managers to direct all or a portion of the Fund's investments provided that, to the extent the Investment Manager is being appointed as an "investment manager" under ERISA, the Investment Manager meets the following requirements:
 - a. Qualifies as an investment manager under the Employee Retirement Income Security Act of 1974 ("ERISA")
 - b. Acknowledges that it is an ERISA 3(38) fiduciary with respect to the Plan
- vi. Removing Investment Advisors or Investment Managers

Investment Advisor

An Investment Advisor may be assigned by the Committee to manage the Fund in a manner consistent with this Statement and in accordance with State and Federal law and the Uniform Prudent Investor Act. The Investment Advisor must be a registered investment advisor and shall acknowledge that it is a fiduciary with respect to the Plan. The Investment Advisor will not take title to any assets nor act as a custodian of the assets.

As of February 1, 2016, the Pension Committee appointed Cambridge Associates, LLC ("CA") as Investment Advisor pursuant to an Investment Management Agreement (the "IMA"). The IMA provides CA with discretion to manage the Plan in accordance with the investment guidelines and restrictions contained in this Statement. Under the IMA, CA's duties include, but are not limited to, the following:

- i. Advising the Plan surrounding the selection of and the allocation to the different asset categories within the allowable ranges set forth in the Long Term Asset Allocation Policy section of this Statement
- ii. Periodically, but no less than annually, reviewing the suitability of the asset mix and Investment Managers and meeting with the Committee to present results
 - a. This presentation should include economic and capital market research which supports the asset allocation relative to the allowable ranges set forth in the Long Term Asset Allocation Policy section of this Statement
- iii. Identifying specific assets and Investment Managers within each asset category
- iv. Implementing investment decisions on behalf of the Plan, including (a) making investments in investment funds and (b) appointing Investment Managers to direct all or a portion of the Fund's investments provided that, to the extent the Investment Manager is being appointed as an "investment manager" under ERISA, the Investment Manager meets the following requirements:
 - a. Qualifies as an investment manager under the Employee Retirement Income Security Act of 1974 ("ERISA")
 - b. Acknowledges that it is an ERISA 3(38) fiduciary with respect to the Plan
- v. Monitoring and reporting to the Committee on the performance of Investment Managers and any direct investments in investment funds
- vi. Recommending changes to any of the above

- vii. Periodically, but no less than quarterly, providing the Committee with statements detailing Plan investments, asset allocation, performance, and all fees being paid
- viii. Complying with the provisions of this Statement
 - ix. Hiring and removing Investment Managers and investing in and redeeming from investment funds

Investment Managers

Investment Managers, to the extent that they are appointed, will construct and manage investment portfolios consistent with the investment philosophy and disciplines they were hired to implement. Under the discretionary agreement with CA, Investment Managers are expected to adhere to the directions from the Investment Advisor.

Relations with Advisors and Consultants

The Committee will designate individuals to act as contacts who are responsible for providing direction to and interacting with the assigned advisors and consultants in implementing the policies and directives of the Committee. All meetings and presentations involving the Committee will be coordinated and scheduled by the staff. Consultants and advisors, hired to provide specific expertise, will function as an extension of the staff.

Review and Amendment of this Policy Statement

The policies and responsibilities set forth in this document are intended to provide long-term stability and structure to the investment of Plan assets and are therefore not subject to frequent change. The policies stated here, however, must be reflective of the collective common will and wisdom of the Committee. Therefore, to insure the policy is maintained in a current status, these stated policies of the Committee will be reviewed from time to time by the staff and the Committee and amended as deemed appropriate by the Committee.

III. LONG TERM ASSET ALLOCATION POLICY

In setting the long term asset allocation policy for the Plan, the Committee has opted to provide a minimum and maximum allowable allocation to the major asset classes. The Investment Advisor will seek to diversify the Plan by asset class (e.g., equities, fixed income, and real assets) and within each asset class (e.g., by economic sector, industry, quality, style, size, etc.). The purpose of diversification is to provide reasonable assurance that no single security or class of securities will have a disproportionate impact on the total Plan.

The target allocations and aggregate exposure to each of the asset classes is to remain within the following ranges:

	Policy Allocation	
	Target Allocation	Range
Global Equity	56 67% ⁶³	36 55% ⁵¹ – 76 79% ⁷⁵
Private Equity	10%	0%-20%
Liquid Diversifiers	-10%	-0% – 15%
Real Assets	74%	30% – 118%
Fixed Income	25 22%	15 12% – 35 32%
Cash	2 1%	0% – 5%

Asset Classes are defined as follows:

- i. Global Equity – intended to provide capital appreciation, current income, and growth of income mostly through the ownership of public equities representing an ownership interest in a company. The objective for investment managers in this category is to exceed the results represented by the annualized return of the MSCI All Country World Index, net over annualized rolling three to five-year time periods.
- ii. Private Equity – the objective of private equity investments, including buyouts, venture capital, secondaries, private credit, and distressed assets, is to provide the Plan with a return in excess of public markets over longer periods of time. These investments are illiquid and require capital to be locked up for 7-12 years on average. Due to the higher-risk nature of these strategies, a program of private equity investments should be diversified by vintage year, strategy, geography, and manager. A private equity program requires multi-year commitments and is built over several years. The Investment Advisor will work to monitor the funded and unfunded commitment levels relative to asset allocation and Fund cash levels to ensure adequate liquidity to meet capital calls as well as spending needs.
- ~~i.~~ ~~Liquid Diversifiers—intended to provide the Fund with less directional equity exposure and less correlated returns to traditional asset class (i.e. equities and fixed income). These strategies may utilize multiple asset classes spanning across the capital structure of equity and debt securities and they may also employ leverage, commodities, and derivatives. These investments will be made in managers with more liquid investment profiles through mutual funds or commingled vehicles.~~
- ~~ii.~~ iii. Real Assets – intended to provide real return through investments which has inflation sensitive characteristics. Investments could include REITs, natural resource equities, MLPs, inflation-linked bonds and commodities.
- ~~iii.~~ iv. Fixed Income – intended to provide diversification and protection against downward moves in the equity market and serves as a deflation hedge and a predictable source of income. Weighted average duration of the allocation will be within 1 year of the Barclays Capital Aggregate Bond Index, as measured on a quarterly basis.
- ~~iv.~~ v. Cash – the primary purpose of cash and cash equivalents with maturities of less than 1 year is to provide a liquid source of funds for portfolio rebalancing.

Prohibited Investments:

~~While some investment funds and Investment Managers might invest in the following types of investment strategies, the Plan shall not invest directly in the following investments or strategies~~

- ~~Options or futures contracts~~
- ~~Non-marketable and/or non-registered single name securities~~
- ~~Derivatives~~
- ~~Private placements in single name securities~~
- ~~Private Real estate~~
- ~~Short selling or purchasing on margin~~
- ~~Single commodity futures~~

~~Warrants~~

~~Venture capital & Private Equity~~

~~Securities lending~~

~~Traditional hedge funds~~

~~Employ leverage at aggregate Plan level~~

- ◇ The Investment Advisor is prohibited from employing leverage, directly implementing derivatives, or securities lending at the aggregate Plan level. It was acknowledged that some investment managers in the Plan may utilize derivatives, such as options and futures contracts, as part of their investment strategy. Some managers may also participate in securities lending as part of their strategy. The current investment policy does not allow for the Plan to invest in private placements in single-name securities.

The Committee recognizes that maintaining a rigid allocation at all times would be undesirable under various potential market conditions. Therefore, the allocation of assets may vary from time to time within and in some extreme market conditions outside the ranges provided above without being considered an exception to this Investment Policy. The only instance where the allocation would be permitted to be outside the range is if the purchases were made within the allocation range but through unrealized market gains or losses the value of the assets falls outside the range.

The Investment Advisor, CA, will monitor the actual asset allocation relative to the above targets and ranges and rebalance the Plan as appropriate. Rebalancing the Plan to approved levels helps maintain the risk profile adopted by the Committee. In the event that the actual allocation moves outside the above ranges, CA will inform the Authority and immediately bring the allocation within the above allowable ranges.

IV. IMPLEMENTATION ISSUES

Investment Manager Selection

The Committee has appointed the Investment Advisor to, to the extent it determines to do so, hire competent registered professional Investment Managers to manage portions of the assets of the Plan. No Investment Manager shall be hired who has not, by their record and experience, demonstrated their fiduciary responsibility, their investment expertise, and their capacity to undertake the mandate for which they are being considered. The Committee has also asked the Investment Advisor to make best efforts to review and consider managers with local presence in the state of Utah.

The selection of investments in underlying funds and with Investment Managers will be accomplished through a due-diligence process that includes both a Qualitative and Quantitative Evaluation. Factors to be considered in the due-diligence process are as follows:

- i. Quantitative Performance Evaluation – Investment Managers will be selected based on quantitative factors relative to their respective asset class. Quantitative factors to be considered may include, but are not limited to, the following:
 - a. A record of performing near or above the relevant market index
 - b. A record of performing near or above the median manager in a relevant peer group
 - c. An analysis of risk and risk-adjusted performance

- ii. Qualitative Evaluation – the qualitative factors considered in the selection of Investment Managers may include, but are not limited to, the following:
 - a. A history that demonstrates an ability to prudently manage diversified portfolios
 - b. A fee structure that is competitive versus a relative peer group
 - c. Adherence to a stated investment style and philosophy
 - d. Sound communication and reporting procedures
 - e. Corporate stability
 - f. Stability and quality of investment management personnel
 - g. For Investment Managers that have been appointed as 3(38) investment managers under ERISA, compliance with ERISA

Proxy Voting

Investment Managers, the Investment Advisor, and the managers of investment funds have been given the responsibility for voting proxy issues on securities held in their respective portfolios. In accordance with the provisions of ERISA, all proxies voted by Investment Managers and the Investment Advisor will be voted exclusively for the best interests of the Plans and their participants. Investment Managers will maintain written policies for proxy voting and keep a proper record of all proxies to which the Plans are entitled.

Portfolio Transitions

Due to the nature of the vehicles in which CA invests the portfolio, from time to time, it may be necessary for the portfolio to temporarily exceed or fall below the allowable ranges to facilitate efficient movement between paired transactions. Such temporary deviations shall not constitute a breach of the Policy Ranges/Investment Guidelines provided that the exposure deviations are rectified within five business days.

There will be an implementation window to allow for the transition of assets to the Investment Advisor's desired positioning. The effective date of the Investment Policy Statement will be October 31, 2022, and the implementation window will cease on December 1, 2022. During the transition period, the Investment Advisor will manage the portfolio prudently and in the spirit of the Investment Policy Statement while it shifts the portfolio assets toward their policy guidelines. Notwithstanding, the Committee agrees to waive the guidelines and investment restrictions enumerated in this Statement until the implementation window is complete. For purposes of assessing the Investment Advisor's performance, the Committee agrees that the Investment Advisor's official track record will begin on December 1, 2022. After this time, the Investment Advisor will be responsible for the portfolio's performance relative to the guidelines enumerated in this Investment Policy Statement.

V. CONTROL AND EVALUATION

Performance Monitoring

Time-weighted rates of return (and sometimes dollar-weighted rates of return) will be calculated by the Investment Advisor at monthly and quarterly intervals, for the Plan as a whole and for each separately managed sub-component. Measurements shall be reported at a minimum for the most recent quarter, year, three-year and five-year periods, and ten-year periods, if available.

The performance of the Fund will be evaluated against a custom Policy Benchmark which aligns with Target Asset Allocation. Each asset class and custom portfolio benchmark will be as follows:

<u>Portfolio Role</u>	<u>Target Allocation</u>	<u>Allowable Range</u>	<u>Benchmark</u>	<u>Benchmark Weight</u>
Global Equity	63%	51 - 75%	MSCI All Country World Index, net	63%
Liquid Diversifiers	10%	0 - 15%	35% of MSCI All Country World Index, net <u>65% of 91-day Treasury Bill Index</u>	10%
Real Assets	4%	0 - 8%	Dynamic Blend of Manager Benchmarks based on Manager Weight in Allocation	4%
Fixed Income	22%	12 - 32%	Barclays Aggregate Bond Index	22%
Cash & Cash Equivalents	1%	0 - 5%	91-day Treasury Bill Index	1%
Total	100%			

<u>Portfolio Role</u>	<u>Target Allocation</u>	<u>Allowable Range</u>	<u>Benchmark</u>	<u>Benchmark Weight</u>
Global Equity	67%	55 - 79%	MSCI All Country World Index, net	67%
Real Assets	7%	3 - 11%	Dynamic Blend of Manager Benchmarks based on Manager Weight in Allocation	7%
Fixed Income	25%	15 - 35%	Barclays Aggregate Bond Index	25%
Cash & Cash Equivalents	1%	0 - 5%	91-day Treasury Bill Index	1%
Total	100%			

<u>Portfolio Role</u>	<u>Target Allocation</u>	<u>Allowable Range</u>	<u>Benchmark</u>	<u>Benchmark Weight</u>
Global Equity	56%	36 - 76%	MSCI All Country World Index, net	56%
Private Equity	10%*	0 - 20%	MSCI All Country World Index, net (lagged)	10%*
Real Assets	7%	3 - 11%	Dynamic Blend of Manager Benchmarks based on Manager Weight in Allocation	7%
Fixed Income	25%	15 - 35%	Barclays Aggregate Bond Index	25%
Cash & Cash Equivalents	2%	0 - 5%	91-day Treasury Bill Index	2%
Total	90%			H

*Private Equity weight will dynamically shift with Global Equity weight until long-term target allocation is achieved.

<u>Portfolio Benchmarks</u>	<u>Benchmark Purpose</u>	<u>Composition</u>
Policy Benchmark	To show overall value-add from asset allocation, manager structure and manager selection decisions	Asset Class Composite Benchmarks (above) weighted by their Target Allocation
Dynamic Benchmark	To show manager selection value-add	Individual manager benchmarks weighted by their actual allocation

The performance track record of the Plan for purposes of the Investment Advisor's performance track record statistics shall begin on May 1, 2016. For the avoidance of doubt, the Investment Advisor shall be responsible for the management of the Plan assets, and the reports provided to the Plan shall show the Plan's performance, beginning on the date provided in the IMA.

Investment Manager Review

Solely for the purposes of this section and the next, unless otherwise stated, "Investment Managers" shall refer to both investment managers appointed by the Investment Advisor to manage a portion of the assets of the Plan, as well as the managers of commingled investment funds in which the Plan invests.

Investment Managers are selected and assigned to meet specific needs of the Plan. To insure that these needs are met on a continuing basis, all assigned Investment Managers will be monitored by the Investment Advisor, which will provide reporting to the Committee. Generally, Investment Managers will be evaluated over a full market cycle, defined as three to five years. This allows for the investment process and style of a particular fund to fully manifest itself in terms of risk, return, style, and overall characteristics. At its discretion, the Investment Advisor and/or Committee may choose to evaluate an Investment Manager over a shorter period. During the regular review, the Investment Advisor will review Investment Managers with Committee which could include the following with respect to each Investment Manager:

- i. Management/Expenses/Discipline
 - a. Demonstration of prudently managing diversified portfolios that offer reasonable opportunities for appreciation in value or earnings

- b. Fees that are near or below median in a comparable universe
- c. Adherence to the style and philosophy presented by the investment manager
- ii. Performance
 - a. Record of performing near or above the relevant published market index (Standard & Poor's 500 Index, Lehman Brothers Aggregate Bond Index, etc.)
 - b. Record of performing above the median manager in their peer group
- iii. Communication/Reporting
 - a. Commitment to providing frequent communication regarding investment characteristics, perceived investment outlook, and performance, as well as a clear definition of investment philosophy and strategy
- iv. Corporate Stability/Personnel/Other
 - a. Financial stability of the company
 - b. The turnover and stability of investment management personnel, capabilities and compensation structure
 - c. Adherence to the terms of this Statement
 - d. For Investment Managers that have been appointed as 3(38) "investment managers" under ERISA, compliance with ERISA

Other criteria may be identified as well.

Investment Manager Termination

The Investment Advisor will have discretion to terminate Investment Managers. A termination may come from a failure to adhere to the general guidelines within the following categories of the review process:

- i. Management/Expenses/Discipline
- ii. Performance
- iii. Communication/Reporting
- iv. Corporate Stability/Personnel/Other

Instances of non-compliance, and/or non-adherence to the aforementioned standards as a whole will prompt a review by the Investment Advisor.

Other grounds may be identified on a case by case basis and considered within the termination and replacement decision making process managed by the Investment Advisor.

Exhibit B
(Amendment to Investment Management Agreement)

**AMENDMENT #1
TO THE INVESTMENT MANAGEMENT AGREEMENT**

This Amendment #1 (this “**Amendment**”) to the Investment Management Agreement (the “**Agreement**”) by and between The Utah Transit Authority Pension Committee (“**Trustee**”) as trustee and plan administrator of the Utah Transit Authority Employee Retirement Plan and Trust (the “**Client**”) and Cambridge Associates, LLC, a Massachusetts limited liability company (“**CA**” or the “**Manager**”) is made effective as of _____ (the “**Amendment Effective Date**”). Capitalized terms used herein and not otherwise defined are used as defined in the Agreement.

WHEREAS, the Client and CA entered into the Agreement effective as of February 1, 2016; and

WHEREAS, the parties desire to amend the Agreement as set forth herein;

NOW, THEREFORE, the Agreement is hereby amended as follows:

1. Exhibit B to the Agreement is hereby deleted in its entirety and replaced with the Exhibit B attached hereto.
2. Except as amended hereby, all other terms and conditions of the Agreement shall remain in full force and effect.

[Signature page follows.]

IN WITNESS WHEREOF, the parties hereto have executed this Amendment #1 to the Investment Management Agreement, effective as of the Amendment Effective Date.

CAMBRIDGE ASSOCIATES, LLC

**UTAH TRANSIT AUTHORITY
EMPLOYEE RETIREMENT PLAN
AND TRUST**

**By: The Utah Transit Authority Pension
Committee, as trustee and plan
administrator**

By: _____
Name:
Title:

By: _____
Name:
Title:

Date: _____

Date: _____

By: _____
Name:
Title:

Date: _____

Legal Approved to Form:

DocuSigned by:

Mike Bell

By: _____
70E33A415BA44F6...

Name: Michael L. Bell
Title: Assistant Attorney General

Date: 9-27-22

Utah Transit Authority Employee Retirement Plan

INVESTMENT POLICY

Approved October 2022

INVESTMENT POLICY CONTENTS

	<u>Page</u>
I. PURPOSE	3
II. ROLES AND RESPONSIBILITIES	3
III. LONG TERM ASSET ALLOCATION POLICY	6
IV. IMPLEMENTATION ISSUES	8
V. CONTROL AND EVALUATION	9

The following is the Pension Committee's statement of (i) funding policy and (ii) investment policy, objectives, and guidelines for the Utah Transit Authority Employee Retirement Plan (the "Plan"). It is prepared by the Committee as direction to the Fund Custodian, Investment Advisor and Investment Managers and is subordinate to the plan document provided it is not inconsistent with the plan document.

I. PURPOSE

The Plan is a defined benefit pension plan qualified under the Internal Revenue Code that covers both administrative employees and those employees covered by a collective bargaining agreement. The Plan intends to provide a vested pension whose amount depends on length-of-service and other parameters described in the Plan. The Authority intends to build and maintain the Fund, by means of contributions that satisfy legal requirements and by means of investment return.

Because of the long-term nature of the Plan's obligations and funding policy, and the expected cash flow needs to pay benefits, the Plan's investment policy is to manage the Fund:

- i. With long-term (five years and more) objectives
- ii. With an emphasis on total return more than on high current income or the need to maintain ready-cash reserves
- iii. With the intent to achieve the highest possible long-term rate of return without taking excessive risk that could jeopardize the Plan's funding policy or subject the Plan to undue funding volatility

In providing the framework for the management of the Plan assets, the policies contained in this document are designed to meet the following objectives:

- i. Provide for the availability of funds for benefits as they become due
- ii. Maintain the Trust's purchasing power
- iii. Maximize total return subject to prudent risk-taking and expense management
- iv. Diversify assets across and within capital markets
- v. Maximize the Plans' ABO funded levels

Secondary to these primary objectives, specific objectives for the Plan include achieving a rate of investment return (net of asset management expenses) over a full market cycle (generally considered 3-5 years) that:

- i. Exceeds the Plan's actuarial investment rate assumption (currently 6.75% per annum)
- ii. Exceeds by 3.5% per annum the rate of inflation (as measured by the Consumer Price Index for all Urban Consumers)

II. ROLES AND RESPONSIBILITIES

Definitions

"ABO" means accrued benefit obligation. At a given time, the Plan's accrued benefit obligation is the sum of the present value of (i) the pensions earned by active and terminated vested participants, and (ii) the pensions remaining to be paid to retirees.

"Authority" means Utah Transit Authority.

“Board” means the Board of Trustees of the Authority.

"Committee" means the Pension Committee as established by the Utah Transit Authority Employee Retirement Plan.

"Fund" means the assets held in the Trust Fund created by the Plan.

“Fund Custodian” means the holding company appointed by the Committee to provide institutional investment and brokerage services.

“Investment Advisor” means the current Registered Investment Advisor employed to manage the assets of the Plan on a discretionary basis.

“Investment Manager” means the asset manager or managers who have a responsibility to manage portions of the assets of the Plan as directed by the Investment Advisor or the Committee.

“Participant” means an Authority employee who is eligible to be a participant under the Plan.

"Plan" means the Utah Transit Authority Employee Retirement Plan.

“Staff” means individuals from the Authority assigned responsibility for assisting the Committee in the operational aspects of the Plan.

"Statement" means this investment policy statement as adopted by the Pension Committee.

Roles and Responsibilities

Committee

The Committee has been delegated plan management authority and responsibility by the Plan to implement and maintain the provisions of this Statement and to take any corrective actions as needed. In this capacity, the Committee has the authority to employ persons to render advice with respect to its responsibilities under the Plans. The Committee has the responsibility to periodically review all pertinent participant information and Plan data in order to establish the funding policy of the Plan. The Committee and its members are considered fiduciaries and are held to a standard of care that anticipates plan assets being managed solely in the best interests of the plan participants and beneficiaries. This will be achieved by:

- i. Performing all fiduciary duties solely in the interest of plan participants and their beneficiaries
- ii. Discharging all responsibilities with the care, skill, prudence and diligence under the circumstances then prevailing that a prudent person acting in a like capacity and familiar with such matters would use in the conduct of an enterprise of a like character with like aims

The Committee’s other responsibilities include:

- i. Establishing and periodically reviewing the appropriateness of the Plan’s asset allocation policy (which may be expressed as a range).
- ii. Making revisions to this Statement to reflect changing conditions within the Plan

- iii. Monitoring compliance with this Statement
- iv. Appointing agents and advisors such as the Plans' actuary and accountant, and fiduciaries such as the Fund Custodian, Investment Advisor, and Investment Managers
- v. To the extent that the Committee elects to do so, employing one or more Investment Managers to direct all or a portion of the Fund's investments provided that, to the extent the Investment Manager is being appointed as an "investment manager" under ERISA, the Investment Manager meets the following requirements:
 - a. Qualifies as an investment manager under the Employee Retirement Income Security Act of 1974 ("ERISA")
 - b. Acknowledges that it is an ERISA 3(38) fiduciary with respect to the Plan
- vi. Removing Investment Advisors or Investment Managers

Investment Advisor

An Investment Advisor may be assigned by the Committee to manage the Fund in a manner consistent with this Statement and in accordance with State and Federal law and the Uniform Prudent Investor Act. The Investment Advisor must be a registered investment advisor and shall acknowledge that it is a fiduciary with respect to the Plan. The Investment Advisor will not take title to any assets nor act as a custodian of the assets.

As of February 1, 2016, the Pension Committee appointed Cambridge Associates, LLC ("CA") as Investment Advisor pursuant to an Investment Management Agreement (the "IMA"). The IMA provides CA with discretion to manage the Plan in accordance with the investment guidelines and restrictions contained in this Statement. Under the IMA, CA's duties include, but are not limited to, the following:

- i. Advising the Plan surrounding the selection of and the allocation to the different asset categories within the allowable ranges set forth in the Long Term Asset Allocation Policy section of this Statement
- ii. Periodically, but no less than annually, reviewing the suitability of the asset mix and Investment Managers and meeting with the Committee to present results
 - a. This presentation should include economic and capital market research which supports the asset allocation relative to the allowable ranges set forth in the Long Term Asset Allocation Policy section of this Statement
- iii. Identifying specific assets and Investment Managers within each asset category
- iv. Implementing investment decisions on behalf of the Plan, including (a) making investments in investment funds and (b) appointing Investment Managers to direct all or a portion of the Fund's investments provided that, to the extent the Investment Manager is being appointed as an "investment manager" under ERISA, the Investment Manager meets the following requirements:
 - a. Qualifies as an investment manager under the Employee Retirement Income Security Act of 1974 ("ERISA")
 - b. Acknowledges that it is an ERISA 3(38) fiduciary with respect to the Plan
- v. Monitoring and reporting to the Committee on the performance of Investment Managers and any direct investments in investment funds
- vi. Recommending changes to any of the above

- vii. Periodically, but no less than quarterly, providing the Committee with statements detailing Plan investments, asset allocation, performance, and all fees being paid
- viii. Complying with the provisions of this Statement
 - ix. Hiring and removing Investment Managers and investing in and redeeming from investment funds

Investment Managers

Investment Managers, to the extent that they are appointed, will construct and manage investment portfolios consistent with the investment philosophy and disciplines they were hired to implement. Under the discretionary agreement with CA, Investment Managers are expected to adhere to the directions from the Investment Advisor.

Relations with Advisors and Consultants

The Committee will designate individuals to act as contacts who are responsible for providing direction to and interacting with the assigned advisors and consultants in implementing the policies and directives of the Committee. All meetings and presentations involving the Committee will be coordinated and scheduled by the staff. Consultants and advisors, hired to provide specific expertise, will function as an extension of the staff.

Review and Amendment of this Policy Statement

The policies and responsibilities set forth in this document are intended to provide long-term stability and structure to the investment of Plan assets and are therefore not subject to frequent change. The policies stated here, however, must be reflective of the collective common will and wisdom of the Committee. Therefore, to insure the policy is maintained in a current status, these stated policies of the Committee will be reviewed from time to time by the staff and the Committee and amended as deemed appropriate by the Committee.

III. LONG TERM ASSET ALLOCATION POLICY

In setting the long term asset allocation policy for the Plan, the Committee has opted to provide a minimum and maximum allowable allocation to the major asset classes. The Investment Advisor will seek to diversify the Plan by asset class (e.g., equities, private equity, fixed income, and real assets) and within each asset class (e.g., by economic sector, industry, quality, style, size, etc.). The purpose of diversification is to provide reasonable assurance that no single security or class of securities will have a disproportionate impact on the total Plan.

The target allocations and aggregate exposure to each of the asset classes is to remain within the following ranges:

	Policy Allocation	
	Target Allocation	Range
Global Equity	56%	36% – 76%
Private Equity	10%	0%-20%
Real Assets	7%	3% – 11%
Fixed Income	25%	15% – 35%
Cash	2%	0% – 5%

Asset Classes are defined as follows:

- i. Global Equity – intended to provide capital appreciation, current income, and growth of income mostly through the ownership of public equities representing an ownership interest in a company. The objective for investment managers in this category is to exceed the results represented by the annualized return of the MSCI All Country World Index, net over annualized rolling three to five-year time periods.
- ii. Private Equity: the objective of private equity investments, including buyouts, venture capital, secondaries, private credit, and distressed assets, is to provide the Plan with a return in excess of public markets over longer periods of time. These investments are illiquid and require capital to be locked up for 7-12 years on average. Due to the higher-risk nature of these strategies, a program of private equity investments will be diversified by vintage year, strategy, geography, and manager. A private equity program requires multi-year commitments and is built over several years. The Investment Advisor will monitor the funded and unfunded commitment levels relative to asset allocation and Fund cash levels to ensure adequate liquidity to meet capital calls as well as spending needs.
- iii. Real Assets – intended to provide real return through investments which has inflation sensitive characteristics. Investments could include REITs, natural resource equities, MLPs, inflation-linked bonds and commodities.
- iv. Fixed Income – intended to provide diversification and protection against downward moves in the equity market and serves as a deflation hedge and a predictable source of income.
- v. Cash – the primary purpose of cash and cash equivalents with maturities of less than 1 year is to provide a liquid source of funds for portfolio rebalancing.

Prohibited Investments:

The Investment Advisor is prohibited from employing leverage, directly implementing derivatives, or securities lending at the aggregate Plan level. It was acknowledged that some investment managers in the Plan may utilize derivatives, such as options and futures contracts, as part of their investment strategy. Some managers may also participate in securities lending as part of their strategy. The current investment policy does not allow for the Plan to invest in private placements in single-name securities.

The Committee recognizes that maintaining a rigid allocation at all times would be undesirable under various potential market conditions. Therefore, the allocation of assets may vary from time to time within and in some extreme market conditions outside the ranges provided above without being considered an exception to this Investment Policy. The only instance where the allocation would be permitted to be outside the range is if the purchases were made within the allocation range but through unrealized market gains or losses the value of the assets falls outside the range.

The Investment Advisor, CA, will monitor the actual asset allocation relative to the above targets and ranges and rebalance the Plan as appropriate. Rebalancing the Plan to approved levels helps maintain the risk profile adopted by the Committee. In the event that the actual allocation moves outside the above ranges, CA will inform the Authority and immediately bring the allocation within the above allowable ranges.

IV. IMPLEMENTATION ISSUES

Investment Manager Selection

The Committee has appointed the Investment Advisor to, to the extent it determines to do so, hire competent registered professional Investment Managers to manage portions of the assets of the Plan. No Investment Manager shall be hired who has not, by their record and experience, demonstrated their fiduciary responsibility, their investment expertise, and their capacity to undertake the mandate for which they are being considered. The Committee has also asked the Investment Advisor to make best efforts to review and consider managers with local presence in the state of Utah.

The selection of investments in underlying funds and with Investment Managers will be accomplished through a due-diligence process that includes both a Qualitative and Quantitative Evaluation. Factors to be considered in the due-diligence process are as follows:

- i. Quantitative Performance Evaluation – Investment Managers will be selected based on quantitative factors relative to their respective asset class. Quantitative factors to be considered may include, but are not limited to, the following:
 - a. A record of performing near or above the relevant market index
 - b. A record of performing near or above the median manager in a relevant peer group
 - c. An analysis of risk and risk-adjusted performance
- ii. Qualitative Evaluation – the qualitative factors considered in the selection of Investment Managers may include, but are not limited to, the following:
 - a. A history that demonstrates an ability to prudently manage diversified portfolios
 - b. A fee structure that is competitive versus a relative peer group
 - c. Adherence to a stated investment style and philosophy
 - d. Sound communication and reporting procedures
 - e. Corporate stability
 - f. Stability and quality of investment management personnel
 - g. For Investment Managers that have been appointed as 3(38) investment managers under ERISA, compliance with ERISA

Proxy Voting

Investment Managers, the Investment Advisor, and the managers of investment funds have been given the responsibility for voting proxy issues on securities held in their respective portfolios. In accordance with the provisions of ERISA, all proxies voted by Investment Managers and the Investment Advisor will be voted exclusively for the best interests of the Plans and their participants. Investment Managers will maintain written policies for proxy voting and keep a proper record of all proxies to which the Plans are entitled.

Portfolio Transitions

Due to the nature of the vehicles in which CA invests the portfolio, from time to time, it may be necessary for the portfolio to temporarily exceed or fall below the allowable ranges to facilitate efficient movement between paired transactions. Such temporary deviations shall not

constitute a breach of the Policy Ranges/Investment Guidelines provided that the exposure deviations are rectified within five business days.

There will be an implementation window to allow for the transition of assets to the Investment Advisor's desired positioning. The effective date of the Investment Policy Statement will be October 31, 2022, and the implementation window will cease on December 1, 2022. During the transition period, the Investment Advisor will manage the portfolio prudently and in the spirit of the Investment Policy Statement while it shifts the portfolio assets toward their policy guidelines. Notwithstanding, the Committee agrees to waive the guidelines and investment restrictions enumerated in this Statement until the implementation window is complete. For purposes of assessing the Investment Advisor's performance, the Committee agrees that the Investment Advisor's official track record will begin on December 1, 2022. After this time, the Investment Advisor will be responsible for the portfolio's performance relative to the guidelines enumerated in this Investment Policy Statement.

V. CONTROL AND EVALUATION

Performance Monitoring

Time-weighted rates of return (and sometimes dollar-weighted rates of return) will be calculated by the Investment Advisor at monthly and quarterly intervals, for the Plan as a whole and for each separately managed sub-component. Measurements shall be reported at a minimum for the most recent quarter, year, three-year and five-year periods, and ten-year periods, if available.

The performance of the Fund will be evaluated against a custom Policy Benchmark which aligns with Target Asset Allocation. Each asset class and custom portfolio benchmark will be as follows:

<u>Portfolio Role</u>	<u>Target Allocation</u>	<u>Allowable Range</u>	<u>Benchmark</u>	<u>Benchmark Weight</u>
Global Equity	56%*	36 - 76%	MSCI All Country World Index, net	56%
Private Equity	10%*	0 - 20%	MSCI All Country World Index, net (lagged)	10%*
Real Assets	7%	3 - 11%	Dynamic Blend of Manager Benchmarks based on Manager Weight in Allocation	7%
Fixed Income	25%	15 - 35%	Barclays Aggregate Bond Index	25%
Cash & Cash Equivalents	2%	0 - 5%	91-day Treasury Bill Index	2%
Total	100%			

*Private Equity weight will dynamically shift with Global Equity weight until long-term target allocation is achieved.

- a. Financial stability of the company
- b. The turnover and stability of investment management personnel, capabilities and compensation structure
- c. Adherence to the terms of this Statement
- d. For Investment Managers that have been appointed as 3(38) “investment managers” under ERISA, compliance with ERISA

Other criteria may be identified as well.

Investment Manager Termination

The Investment Advisor will have discretion to terminate Investment Managers. A termination may come from a failure to adhere to the general guidelines within the following categories of the review process:

- i. Management/Expenses/Discipline
- ii. Performance
- iii. Communication/Reporting
- iv. Corporate Stability/Personnel/Other

Instances of non-compliance, and/or non-adherence to the aforementioned standards as a whole will prompt a review by the Investment Advisor.

Other grounds may be identified on a case by case basis and considered within the termination and replacement decision making process managed by the Investment Advisor.

<u>Portfolio Benchmarks</u>	<u>Benchmark Purpose</u>	<u>Composition</u>
Policy Benchmark	To show overall value-add from asset allocation, manager structure and manager selection decisions	Asset Class Composite Benchmarks (above) weighted by their Target Allocation
Dynamic Benchmark	To show manager selection value-add	Individual manager benchmarks weighted by their actual allocation

The performance track record of the Plan for purposes of the Investment Advisor's performance track record statistics shall begin on May 1, 2016. For the avoidance of doubt, the Investment Advisor shall be responsible for the management of the Plan assets, and the reports provided to the Plan shall show the Plan's performance, beginning on the date provided in the IMA.

Investment Manager Review

Solely for the purposes of this section and the next, unless otherwise stated, "Investment Managers" shall refer to both investment managers appointed by the Investment Advisor to manage a portion of the assets of the Plan, as well as the managers of commingled investment funds in which the Plan invests.

Investment Managers are selected and assigned to meet specific needs of the Plan. To insure that these needs are met on a continuing basis, all assigned Investment Managers will be monitored by the Investment Advisor, which will provide reporting to the Committee. Generally, Investment Managers will be evaluated over a full market cycle, defined as three to five years. This allows for the investment process and style of a particular fund to fully manifest itself in terms of risk, return, style, and overall characteristics. At its discretion, the Investment Advisor and/or Committee may choose to evaluate an Investment Manager over a shorter period. During the regular review, the Investment Advisor will review Investment Managers with Committee which could include the following with respect to each Investment Manager:

- i. Management/Expenses/Discipline
 - a. Demonstration of prudently managing diversified portfolios that offer reasonable opportunities for appreciation in value or earnings
 - b. Fees that are near or below median in a comparable universe
 - c. Adherence to the style and philosophy presented by the investment manager
- ii. Performance
 - a. Record of performing near or above the relevant published market index (Standard & Poor's 500 Index, Lehman Brothers Aggregate Bond Index, etc.)
 - b. Record of performing above the median manager in their peer group
- iii. Communication/Reporting
 - a. Commitment to providing frequent communication regarding investment characteristics, perceived investment outlook, and performance, as well as a clear definition of investment philosophy and strategy
- iv. Corporate Stability/Personnel/Other