Administration of GEP

Spending Policy and Expenses: The Regents adopted a total-return investment philosophy aimed at achieving real-asset growth in order to generate growing annual payouts to support donors’ designated programs. On May 18, 2011, The Regents approved the continuance of a rate of 4.75% of a 60-month (five-year) moving average of the GEP market value for expenditure in the 2011-2012 fiscal year.

The total cost of managing the GEP is 125 basis points of average market value. This consists of approximately 1.15% (115 basis points) attributable to external managers (evidenced as the difference between their gross and net returns), plus 0.03% (3 basis points) attributable to investment management and custodial expenses, and 0.07% (7 basis points) attributable to administrative costs.


Administration of Account: The Treasurer’s Office is responsible for investing the funds, while the Endowment and Investment Accounting Office maintains all records.

Deposits and Withdrawals: Monthly. Transactions can be made by check or federal funds wire.


Mailing Address:
1111 Broadway, Suite 1400
Oakland, CA 94607
(510) 987-9600  Fax: (510) 987-9651
http://www.ucop.edu/treasurer/
E-mail: Treas.Regents@ucop.edu

As of June 30, 2012, the portfolio managed by the Treasurer’s Office totaled approximately $71.7 billion.

These investments provide substantial benefits to current and retired employees and support the university’s mission of education, research, and public service. The Treasurer’s Office carries out all investment activities according to the policies established by the Investment Committee of The Regents of the University of California. The Treasurer’s Office staff includes 33 investment professionals with an average of 18 years of experience.

The Office of the Treasurer of The Regents manages the University of California’s retirement, endowment and cash assets under the policies, guidelines, and performance benchmarks established by The Regents. The Office's mission is to implement those policies and guidelines by selecting, executing, and monitoring investment strategies designed to add value over the benchmarks within a risk controlled framework. The Office adheres to high ethical as well as professional standards in serving the investment management needs of its constituency.
For Absolute Return (AR) investments, the Treasurer's Office seeks to generate positive returns over a multi-year period, regardless of the general market direction. AR investments typically have low correlation with other asset classes and increase the overall portfolio diversification while reducing risk. To accomplish this goal, the Treasurer's Office invests with top-tier asset management firms in a variety of strategies, including global long/short equity, relative value credit, distressed securities, mortgage arbitrage, global macro, event-driven and other “hedge fund” strategies.

The Cross-Asset Class (CAC) Strategy was approved by the Regents in March 2011. The key objective of the CAC Strategy is to identify and invest in assets that provide attractive risk-adjusted returns beneficial to the GEP through investments that cut across the various asset-class silos. It is also expected to bring a strategic partnership approach with a limited number of managers in an effort to enhance total portfolio returns.

Real Assets was added to the GEP portfolio on April 1, 2010, and is primarily composed of energy assets, timber-land, infrastructure, and commodities. These assets generally provide inflation protection, a strong current income component and diversification benefits relative to other financial assets.

For Private Equity, the Treasurer's Office seeks opportunities through high caliber top-tier buyout funds and select venture capital partnerships.

For Real Estate, the Treasurer's Office seeks investments which provide long-term, risk-adjusted total returns between those of U.S. equities and bonds; diversification benefits given Real Estate’s low correlation with other asset classes; protection against unanticipated inflation; and a high proportion of the total return derived from current income.

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**Returns:** GEP returned -0.36% for the 2011-2012 fiscal year versus -2.48% for its benchmark. For the past 10 years, GEP’s total return was 6.74% vs. 6.45% for its benchmark. During that time, payout distributions grew at an average annual rate of 3.27%—above annualized inflation of 2.47%.

* Asset mix target is effective as of March 2011. All Alternatives include, but are not limited to: Real Estate, Private Equity, Real Assets, and Absolute Return strategies.