INVESTMENT OBJECTIVE

The basic investment objective of the STIP is to maximize returns consistent with safety of principal, liquidity, and cash-flow requirements. The STIP's investments managed by the Treasurer's Office include a broad spectrum of high-quality money-market and fixed-income instruments with a maximum maturity of five-and-a-half years. Investment maturities are structured to ensure an adequate flow of funds to meet the University's cash needs as well as to provide the liquidity needed to facilitate asset class rebalancing and other major liquidity events.

In September 2009, The Regents authorized a change in the investment guidelines for the STIP, effective October 2009. As the liquidity requirements of the University have changed, due in part to the financial status of the State of California, an increased level of liquidity is now maintained in the STIP portfolio. Accordingly, to reflect the fact that there are now implicitly two components of the portfolio—a very short-term liquid portion and a somewhat longer portion—the policy benchmark has been changed to one that combines both components. The new benchmark is the weighted average of the income return on a constant maturity two-year U.S. Treasury Note and the return on U.S. 30-day Treasury Bills. The weight is the average of the actual weights of the bond and cash equivalent components of the pool, rebalanced monthly. This benchmark was effective October 1, 2009.

INVESTMENT STRATEGY AND RETURNS

The Treasurer's Office manages the STIP as a highly liquid portfolio, using maturity distribution strategies to maximize returns in different yield-curve environments. Select swapping strategies are employed to take advantage of disparities in the market to improve quality and yield, while maintaining liquidity.
In fiscal 1985, The Regents authorized the University of California Mortgage Origination Program (MOP), funded by the legally available cash balances in the unrestricted portion of STIP. The MOP provides first deed-of-trust variable-rate mortgage loans with up to 40-year terms to eligible members of the University’s faculty and staff. In November 2001, The Regents approved interest-only mortgage loans under the MOP graduated payment mortgages, which offer a reduced interest rate during the initial years of the loan, were approved for the MOP by The Regents in May 2007. These loans totaled $562.5 million at June 30, 2012.

In March 1999, The Regents authorized the use of the legally available cash balances in the unrestricted portion of STIP to provide liquidity support for the University’s Commercial Paper Program.

In July 2008, The Regents authorized the President to increase the program from $550 million to $2 billion. The STIP also provides working capital advances to the medical centers. As a result of the creation of the TRIP portfolio in November 2008, The Regents authorized the President to utilize up to 40% of the combined outstanding balances from the combined STIP and TRIP investment portfolios as liquidity support for the Commercial Paper Program, the medical centers’ working capital borrowings, and the MOP loans. In November 2009, the Regents revised the internal limits and liquidity support options for the Commercial Paper Program.

In March 2011, the Regents authorized the President to utilize borrowing from STIP, restructuring of University debt, and other internal or external sources to fund the gap between scheduled pension contributions from the University and employees and the required funding amount.

COMMERCIAL PAPER MUST HAVE A RATING OF AT LEAST A-1, P-1, D-1, OR F-1.