YOUNGSTOWN STATE UNIVERSITY

RESOLUTION TO APPROVE CHANGES TO THE INVESTMENT ALLOCATION GUIDELINES FOR THE NON-ENDOWED LONG-TERM INVESTMENT POOL

WHEREAS, the Investment Committee of the Board of Trustees of Youngstown State University is responsible for identification of asset classes, strategic asset allocation, acceptable asset ranges above and below the strategic asset allocation, and selecting investment managers, pursuant to University policy 3356-3-10; and

WHEREAS, the Investment Committee has consulted with the University's investment advisor, Clearstead, regarding asset allocations, portfolio and market performance, and investment managers.

WHEREAS, on September 18, 2024, the Investment Committee of the Board of Trustees of Youngstown State University approved modifications to the university's investment asset allocation guidelines for the long-term investment pool, as depicted in Exhibit A made part hereof, and recommended that the full Board of Trustees approve these modifications.

NOW, THEREFORE, BE IT RESOLVED, that the Board of Trustees does hereby approve these modifications to the university's asset allocation guidelines for the long-term investment pool, as depicted in Exhibit A made part hereof.

Board of Trustees Meeting
September 19, 2024
YR 2025-03

EXHIBIT A

OPERATING & SHORT-TERM POOL	ALLOCATION		
Asset Class/Investment Strategy	**Pool Target**	**Pool Range**	**Total Range**
Total Cash/Operating Assets	n/a	60-100%	
Total Short-Term Fixed Income	n/a	0-40%	
			0-50%
LONG TERM / RESERVES POOL			
Total Domestic Equity	~~27%~~ 32%	~~20-35%~~ 25%-40%	
Total International Equity	8%	0-15%	
Total Equity	~~35%~~ 40%	~~25-45%~~ 25-50%	
Total Alternatives	15%	0-20%	
Total Short-Term Fixed Income	~~30%~~ 20%	~~25-45%~~ 15-35%	
Total Intermediate-Term Fixed Income	~~20%~~ 25%	~~10-30%~~ 15-35%	
Cash	0%	0-5%	
	100%		50-100%

YOUNGSTOWN STATE UNIVERSITY
Asset Allocation and Other Investment Guidelines
Investment of Non-Endowment University Funds

ASSET ALLOCATION GUIDELINES

The Assets of the University are to be allocated between short-term assets and long-term assets. The Asset Allocation section of the Policy is specifically intended to address short-term assets and long-term assets as two distinct asset pools of the University's balance sheet assets.

The objectives that the University has established in conjunction with a comprehensive review of the current and projected financial requirements are as follows:

1. The strict adherence to the Ohio Revised Code and the authority granted under Ohio Revised Code §3345.05. Specifically:
    a. ORC 3345.05 (C)(1): A minimum of 25% of the average amount of the University's investment portfolio over the course of the previous fiscal year must be invested in securities of the United States government or of its agencies or instrumentalities, the treasurer of state's pooled investment program, obligations of this state or any political subdivision of this state, certificates of deposit of any national bank located in this state, written repurchase agreements with any eligible Ohio financial institution that is a member of the federal reserve system or federal home loan bank, money market funds, or bankers acceptances maturing in two hundred seventy days or less which are eligible for purchase by the federal reserve system, as a reserve.
    b. ORC 3345.05 (C)(2): Eligible funds above those that meet the conditions described in ORC 3345.05 (C)(1) may be pooled with other institutional funds and invested in accordance with section 1715.52 of the Revised Code.

The Operating and Short-Term Pool will be comprised of cash and short-term assets required for working capital, liquidity purposes, and other short-term needs. It is understood that assets classified as short-term are to be maintained primarily in cash and cash equivalents, and may also invest partially in short term fixed income (guidelines defined within), in order to meet the daily liquidity needs of the University. The asset allocation guidelines of the Operating and Short-Term Pool are outlined in the table below.

The Long-Term / Reserves Pool are investments with a time horizon in excess of one year. It is assumed that financial needs of the University ranging from one to five years will be maintained in fixed income investments. It is further assumed that any equity or alternative investments will have a time horizon greater than five years. As shown in the table below, short-term and intermediate-term fixed income, alternative investments, and equity are classified as long-term assets.

Based on the investment objectives and risk tolerances stated in these guidelines, the following asset allocation strategy is considered appropriate for the University's investment Assets:

Operating & Short Term Pool		**Allocation**	
Asset Class/Investment Strategy	**Pool Target**	**Pool Range**	**Total Range**
Total Cash/Operating Assets	**n/a**	**60-100%**	
Total Short-Term Fixed Income	**n/a**	**0-40%**	
			0-50%
Long Term/Reserves Pool			
Total Domestic Equity	~~27%~~32%	~~20-35%~~25-40%	
Total International Equity	8%	0-15%	
Total Equity	**~~35%~~40%**	**~~25-45%~~25-50%**	
Total Alternatives	**15%**	**0-20%**	
Total Short-Term Fixed Income	**~~30%~~20%**	**~~25-45%~~15-35%**	
Total Intermediate-Term Fixed Income	**~~20%~~25%**	**~~10-30%~~15-35%**	
Cash	**0%**	**0-5%**	
	100%		**50-100%**

According to the University's Policy, the operating and short term funds of the non-endowment funds are allocated to the Operating and Short-Term Pool of the asset allocation guidelines. Adequate balance of 60 to 100% of the pool will be invested in cash and cash equivalents in order to provide the University with liquidity to meet its operational needs. The Pool may also invest 0-40% in 1-3 year average maturity U.S. Government fixed income investments. The Operating and Short Term Pool should represent 0-50% of the total market value of the Investments. Although the actual percentage will fluctuate with market conditions, levels in excess of 50% will result in rebalancing the Investments to target levels. The Committee will review the pool level allocations on a quarterly basis.

According to the University's Policy, funds with a longer time horizon are allocated to the Long-Term / Reserves Pool. This Pool will be comprised of short-term fixed income, intermediate-term fixed income, alternative investments, and equity.

Short-term fixed income should normally represent 20%~~30%~~ of the total market value of the Pool. Although the actual percentage will fluctuate with market conditions, short-term fixed income levels in excess of 35%~~45%~~ or below 15%~~25%~~ will result in rebalancing the short-term fixed income component of the pool to its target level. The Committee will review the short-term fixed income allocation on a quarterly basis.

Intermediate-term fixed income should normally represent 25%~~20%~~ of the total market value of the pool. Although the actual percentage will fluctuate with market conditions, short-term fixed income levels in excess of 35%~~30%~~ or below 15%~~10%~~ will result in rebalancing the intermediate-term fixed income component of the pool to its fixed income target level. The Committee will review the intermediate-term fixed income allocation on a quarterly basis. Up to 10% of the fixed income investments in the Long Term Pool may be made in below investment grade debt (high yield).

The equity component should normally represent 40%~~35%~~ of the total market value of the long-term pool. Although the actual percentage of equities will vary with market conditions, equity levels in excess of 50%~~45%~~ or below 25% will result in rebalancing the equity component of the fund to its equity target level. The Committee will review the equity allocation on a quarterly basis.

The alternative investments component should normally represent 15% of the total market value of the long-term pool. Although the actual percentage will vary with market conditions, levels in excess of 20% will result in rebalancing the alternatives component of the fund to its target level. The Committee will review the alternative allocation on a quarterly basis.

Depending upon market conditions, the percentage allocation to each asset class may fluctuate within the above policy ranges. Such strategic allocations should be reviewed and approved by the Investment Committee on an ongoing basis. In the event that the allocation to a certain investment Pool and asset class falls above or below the above established ranges, the investment consultant will rebalance the portfolio in a prudent and timely manner.

Investment objectives and guidelines will be established for each separate account investment manager. Mutual funds are not subject to the Guidelines set forth below. As it relates to the investment consultant's selection and retention decisions regarding mutual funds, the stated Guidelines should be used as references.

CASH AND CASH EQUIVALENTS GUIDELINES

Such investments should be prudently diversified and would include:

- any instrument issued by, guaranteed by, or insured by the U.S. Government, agencies, or other full faith instruments;

- commercial paper issued by domestic corporations which is rated both "P-1" and "A-1" by Moody's and Standard & Poor's, respectively;

- certificates of deposit, bankers acceptances, or other such irrevocable primary obligations from a list of approved banks provided by the managers; and

- commingled, short-term cash reserve funds managed generally in accordance with the principles set forth above.

<u>FIXED INCOME GUIDELINES</u>

The objective of the fixed-income portion of the Assets shall be both to provide a secure, above-average stream of income (i.e., income in excess of U.S. Treasury Bill rates) and to provide a relatively stable market value base. The following directions are intended to apply to all fixed-income investment managers:

- Within the Operating and Short Term Pool, non-cash investments are limited to U.S. government only fixed income securities with a 1 to 3 year average maturity and duration +/- 20% of the stated benchmark.

- Fixed-income investments may include U.S. and Non-U.S. issues of Government and Agency obligations, marketable corporate bonds, mortgage or asset-backed bonds, and preferred stocks with sinking funds as deemed prudent by the investment managers.

- Fixed income investments are to be prudently diversified by security type, with an emphasis toward avoiding concentrated positions in any one fixed income sector or security type.

- Fixed-income portfolio maturity, as measured by portfolio duration, should be in the range of 80% to 120% of the applicable benchmark.

- Below investment grade fixed income investments are permissible up to 10% of the total fixed income allocation; however, the total portfolio will seek an average weighted credit quality of “A” or better by Standard & Poor’s

- No more than 5% of the fixed income investments, at market, shall be invested in securities of any one issuer, except Government and Agency obligations, without the Committee's prior approval.

- Cash equivalent investments (maturities less than one year) are permitted, up to 10% of the total market value of the account, when the managers' investment policies discourage longer-term commitments. However, the Committee must be consulted in the event that the manager chooses to increase its cash equivalent position beyond 10% of the assets under its supervision.

- Investment assets allocated to fixed income investment management firms and institutions shall be properly diversified so as to avoid over concentration with any one investment manager or institution.

EQUITY GUIDELINES

The objective of the equity portion of the Assets shall be to provide for potential growth of principal with a long term time horizon. The use of both passively managed equity index strategies and actively managed mutual funds, collective trusts, separate accounts, and comingled funds are permitted. The following acceptable sub asset classes will serve as a guideline for equity investments:

A. Large Cap Domestic - common stocks or equivalents listed on an established stock market (e.g., NYSE, AMEX, NASDAQ) and readily marketable with market capitalization generally exceeding $5 billion. Non-marketable securities may not be purchased or held without prior approval from the Committee. As used herein, "generally exceeding $5 billion" means that greater than 67% of the value of the portfolio is invested in securities when the market capitalization of which exceeds $5 billion.

B. Small/Mid Cap Domestic - common stocks or equivalents listed on an established stock market (e.g., NYSE, AMEX, NASDAQ) and readily marketable with market capitalization generally exceeding $500 million. Non-marketable securities may not be purchased or held without prior approval from the Committee. As used herein, "generally exceeding $500 million" means that greater than 67% of the value of the portfolio is invested in securities when the market capitalization of which exceeds $500 million.

C. International - common stocks or equivalents listed on an established stock market (e.g., NYSE, AMEX, NASDAQ, FTSE, NIKKEI, DAX) and readily marketable with market capitalization generally exceeding $1 billion. Non-marketable securities may not be purchased or held without prior approval from the Committee. As used herein, "generally exceeding $1 billion" means that greater than 50% of the value of the portfolio is invested in securities when the market capitalization of which exceeds $1 billion.

Equity Diversification

Each investment manager should diversify the portfolio in an attempt to minimize the impact of substantial losses in any specific industry or issue. Therefore, each equity account:

- May not invest more than approximately 5% of the account valued at cost in a given issuer, unless its prospective benchmark / index has greater than a 5% allocation to a specific issuer; In this case, the manager must not exceed an allocation 5% of the account higher than the index weighting
- May not invest more than approximately 10% of the account valued at market in a given issuer
- Large Cap, Mid Cap and Small Cap Domestic - Shall be broadly diversified by industry or sector groups and not represent over concentration relative to the mandate's relevant benchmark. Additionally, domestic equity managers

shall limit international-domiciled securities to 10% of their portfolio value, absent Committee approval.

- International – Shall be broadly diversified by country, industry or sector groups and not represent over concentration relative to the mandate's relevant benchmark; and limit emerging market exposure to 25% of total international exposure.
- Global – Shall be diversified between domestic and international equities and follow an investment strategy consistent with its mandate's benchmark that it is seeking to outperform; global equity managers may invest in both developed and developing markets and must ensure ample diversification across industry and sector groups.

ALTERNATIVE INVESTMENT GUIDELINES

Alternative investments are investments that are not included in the traditional assets of cash, equities, and fixed income. Alternative investments include categories such as hedge funds, private equity, private debt, real estate, commodities, tactical asset allocation strategies, etc.

The objective of the alternative investments shall be to promote diversification and provide risk-limiting characteristics with the goal of long-term return potential and lower overall portfolio volatility.

It is the responsibility of the investment consultant to conduct acceptable levels of due diligence on any investment categorized as an alternative investment. The investment consultant will provide education from time-to-time on alternatives to the Committee of the risks and rewards of the asset class, as well as the underlying risks and characteristics of the alternative investment vehicle. Any due diligence information conducted by the investment consultant can be requested by the Committee for review and documentation..

Investments in private strategies, hedge funds and fund-of-funds, real estate, real assets, and commodities, among other types of alternative strategies, are permissible to the extent that they are established within the asset allocation guidelines. Alternative investments may be accessed through mutual funds, comingled funds, and partnerships, among other types of institutional investment vehicles that offer proper diversification and prudent risk levels.

PROHIBITED INVESTMENTS

The following categories of securities and strategies are not considered appropriate at the present time:

- Private Placements
- Unregistered or Restricted Stock
- Margin Trading/Short Sales
- Commodities, Commodity Contracts, Precious Metals, or Gems (excluding liquid mutual funds)

- Real Estate Property (excluding REITs and other comingled Real Estate strategies)
- Guaranteed Insurance Contacts
- Securities Lending; pledging or hypothecating securities

VOTING OF PROXIES AND TRADE EXECUTION

The investment manager shall vote proxies for separately managed accounts on behalf of the University. The Investment Committee will vote all mutual fund proxies or default to a third party to act in its best interest.

The Committee expects the purchase and sale of its securities to be made in a manner designed to receive the combination of best price and execution.

RESPONSIBILITIES OF THE INVESTMENT MANAGERS FOR SEPARATELY MANAGED ACCOUNTS

The guidelines below are applicable to all investment managers that manage money for the University on a separate account basis. However, any mutual or commingled fund retained by the University will not be expected to adhere to these responsibilities.

Adherence to Policy Guidelines
The Assets are to be managed in accordance with the Policy guidelines herein or expressed by separate written instructions when deviation is deemed prudent and desirable. Written instructions amending this Policy document must be authorized by the Committee and will be communicated through the University's Vice President for Finance and Administration or the investment consultant.

Discretionary Authority
The investment managers are expected to exercise complete investment discretion within the boundaries of the restrictions outlined in these guidelines. Such discretion includes decisions to buy, hold, or sell equity or fixed-income securities (including cash equivalents) in amounts and proportions reflective of each manager's current investment strategy.

Communication
The investment consultant and Committee encourage, and the investment managers are responsible for, frequent and open communication with the Committee and the investment consultant on all significant matters pertaining to the investment of the Assets. These communications would generally be addressed to the University's Vice President for Finance and Administration or investment consultant. .

The Committee recognizes that the Policy requires periodic re-examination and, perhaps, revision if it is to continue to serve as a working document to encourage effective investment management. Whenever an investment manager believes that the Policy should be altered, it is the responsibility of the manager to initiate written communication with the Committee.

Reporting

The Committee expects each investment manager to forward, on a timely basis, quarterly reports containing portfolio activity, valuations at market, and quarterly strategy updates. This information may be compiled and summarized by the investment consultant for the Committee.

Compliance with Prudency and Diversification Measures

As fiduciaries, the investment managers are expected to diversify the portfolio to minimize the risk of large losses. The managers are expected to invest the Assets with 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 and with such aims. Furthermore, the investment managers are expected to acknowledge in writing their intentions to comply with the Policy as it currently exists or as modified by the Committee from time to time.

RESPONSIBILITIES OF THE INVESTMENT CONSULTANT

The investment consultant is responsible for implementing the investment program within the framework of the University's policies and guidelines and the following responsibilities:

- reviewing asset allocation and investment strategy on an annual basis to determine if the current strategy meets the cash flow needs of the University and is maximizing the long-term total return of the Assets;

- selecting investment managers for the University's Assets that fit within policies and guidelines that will assist in achieving each Pool's objectives;

- evaluating and monitoring all separately managed accounts to ensure that each investment manager is adhering to the issued Policy guidelines;

- communicating with all investment management organizations on a quarterly basis to determine portfolio composition and to ascertain information concerning organizational change. (Each portfolio is to be reviewed for style drift through portfolio holdings and returns-based style analysis. Additionally, each portfolio is to be reviewed for prohibited investments on an ongoing basis);

- providing a quarterly performance evaluation report and assessment of the University's Assets;

- monitoring the equity holdings of the total portfolio to determine if any one holding represents a percentage weighting that exceeds 10% of the total portfolio and alerting the Committee when the portfolio violates this Policy;

- reviewing asset allocation on a quarterly basis to determine if the current levels are consistent with the asset allocation guidelines stated in this document;

- monitoring the performance of each investment manager retained by the University to determine if the investment product is out-performing the appropriate benchmark over rolling 3 and 5-year time periods; and

- monitoring the performance of the total portfolio to determine if the collective investment strategy is outperforming the appropriate benchmarks over rolling 3 and 5-year time periods.

EVALUATION AND REVIEW

The objective of the evaluation and review process is to monitor the progress of the Assets in achieving the overall investment objectives. Performance will be measured and reviewed periodically by the Committee and their consultants. Particular attention will be directed toward:

- determining whether the total funds are achieving their stated objectives;

- determining whether the investment managers are performing satisfactorily in relation to both the objectives set forth in this Policy, as a primary consideration, and to other investment organizations managing similar pools of capital and the recognized market indices;

- determining whether the investment managers are adhering to the guidelines set forth herein;

- the relative total portfolio return and volatility versus established benchmarks and peers;

- any issue involving the management of the investment assets;

- asset allocation structure in light of evolving markets, strategies, and fund requirements;

- reviewing benchmarks at least annually to determine appropriateness;

- determining whether the investment managers are adhering to their stated philosophy and style; and

- determining whether the overall policies and objectives continue to be appropriate, reasonable, and achievable.

REVIEW OF INVESTMENT RESULTS

On a regular basis, but not less than once annually, the Committee will review actual progress of the funds versus the investment environment. The regular review will include:

- absolute market and total portfolio returns;
- relative total portfolio return and volatility versus established benchmarks and peers;
- asset allocation structure in light of evolving markets, strategies, and fund requirements;
- adherence to guidelines;
- individual manager performance versus established benchmarks and peers;
- the continuing appropriateness of this Policy; and
- any issue involving the management of the funds' assets.

The performance of each individual investment manager will be reviewed on a quarterly basis with appropriate benchmarks as agreed upon from time to time by the Investment Committee.

Total Fund, Pool level, and asset class returns will be measured as follows:

Total Fund: Weighted average benchmark based on the asset allocation targets identified with these guidelines using the below referenced market indices.

Pool level: Weighted average benchmark based on the asset allocation targets identified with these guidelines using the below referenced market indices.

Asset Class	**Benchmark**
Operating / Short Term Pool	
Cash	90-Day U.S. T-Bill
Short Term Fixed Income	Bloomberg 1-3 Year Government Index / Bloomberg 1-5 Year Government Index
Long Term / Reserves Pool	
Domestic Equity	Russell 3000 Index
International Equity	MSCI EAFE Index, MSCI ACWI ex US Index
Global Equity	MSCI ACWI Index
Intermediate Fixed Income	Bloomberg Aggregate Index, Bloomberg Intermediate Govt./Credit Index
Short Term Fixed Income	ICE BofA 1-3 Year US Corp & Govt Index, Bloomberg 1-5 Year US Corp & Govt Index
Alternative Investments	CPI+3%, HFRI Fund-of-Funds Index, HFRI Equity Hedge Index, Other Applicable Alternative Benchmarks, FTSE NAREIT Developed Index
Cash	90-Day U.S. T-Bill