

OSU INVESTMENT POLICY REVIEW & RECOMMENDED AMENDMENTS

Finance and Administration Committee
October 22, 2025



Oregon State
University

Item 4c: Amendments to OSU Investment Policy

- The OSU Board of Trustees has responsibilities related to monitoring, distribution, administration and investment of OSU assets.
- OSU's investment policy is reviewed by the Board of Trustees no less than biennially. The last review and amendment was January 20, 2023.
- Today's Agenda
 - Results from Task Force on Responsible Investing
 - Inclusion of sustainable investing objective
 - Breakout of asset allocation models for subaccounts in Appendices 1 & 2
 - Bond Repayment Investment asset allocation changes

Task Force on Responsible Investing



Meeting Frequency

Every other week from
January through May 2025



Broad Campus Engagement

Members included
administrators, faculty,
undergraduate, graduate, and
doctoral students



Collaborative Development of:

1. A shared understanding of OSU's investment policy
2. A set of Investment Guiding Principles, developed and refined through community feedback
3. A framework for ongoing community engagement and outreach, informed by stakeholder input

Policies Reviewed

- The working group reviewed investment policies of other higher ed institutions and non-profits to gain an understanding of if and how other institutions addressed sustainable investing
- Team members reviewed investment policies of peer and other nationally recognized institutions including, but not limited to:

Public Universities

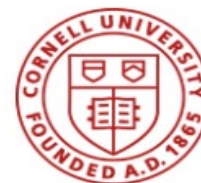


III Hampshire College

Private Universities and Foundations



**Ford
Foundation**



OREGON STATE UNIVERSITY

Recommended Policy Update

Based on the extensive task force work, stakeholder feedback and review of peer institutions best practices in sustainable investing, staff recommends removing the carbon underground restriction in the current policy and adding the section below to guide sustainable investing efforts. The new section addresses desired environmental and societal impacts of investing.

Sustainable Investing

In line with Oregon State University's mission and values, the University will strive to proactively and prudently integrate environmental and societal impact investing across its investment program. OSU incorporates an approach with fund managers that expands, where possible, the opportunity to deploy capital toward assets that advance and encourage sustainability and innovation, fair labor practices and community reinvestment. Investment factors to be considered by OSU fund managers include, but are not limited to: *see next slide*

Proposed Investment Guiding Principles

Investment factors to be considered by OSU fund managers may include, but are not limited to:

- A. Investments that provide products and services such as food, clothing, housing, health, education, transportation and energy in a manner that respects human rights, the culture and tradition of global communities and economies, including indigenous people's rights.
- B. Investments that pursue research and development programs that hold promise for new products of social benefit.
- C. Investments that demonstrate commitment to employees through fair labor practices including management policies in such areas as non-discriminatory hiring and promotion, appropriate economic opportunity, employee development, and maintaining a safe and healthy work environment.
- D. Investments that drive sustainability and reduce the negative impact of operations, practices, products and services on the environment.
- E. Investments that enhance the quality of life for the underserved segments of society and encourage community reinvestment.
- F. Investments that preclude companies or issuers that exhibit a pattern and practice of human rights violations or are directly complicit in human rights violations committed by governments or security forces.

Permitted Investment Instruments

- Revising language in the Asset Allocation for Permitted Securities and Registered Funds section:
 - Prior language *Maximum* Asset Allocation for Permitted Securities and Registered Funds
 - New language *Minimum-Maximum* and *Target* Asset Allocation for Permitted Securities and Registered Funds

Proposed Operating Investment Assets

- a. Purpose:** Operating investments represent all funds available for current use in support of OSU's academic programs and support functions. Operating assets are pooled to provide efficient administration and investment flexibility. The consolidated management of these funds also allows robust tracking and investment performance reporting, while supporting OSU's liquidity needs.
- b. Objective:** Operating funds are invested for safety of principal, maintain liquidity appropriate to the forecasted working capital requirements of the university, provide prudent diversification of investments, and maximize the rate of return on investment. The liquidity distribution strategy for the operating assets consists of investing funds within three liquidity tiers. The allocation of assets involves a careful balance of meeting investment objectives while minimizing risk. Tier 1 investments are short-term and include cash held in bank accounts and short-term fixed income investments to meet liquidity needs. Investments intended to be held for longer than one year are allocated to intermediate-term fixed income securities.
- c. Risk tolerance:** Risk is managed and aligned by liquidity tier, whereby Tier 1 assets' exposure to market and interest rate risk is low. Market and liquidity risk gradually increase by tier, with higher levels of risk allocated to Tier 3 assets.

Policy Updates – Table 1

New Appendices to manage the investment objective and asset allocation strategies for the differing pools of assets. Each sub-policy includes statements of the portfolio's purpose, objective, risk tolerance, and asset allocation with ranges and target allocations.

- **Operating Assets**
- Board Designated Assets

Asset Class	Allocation Range	Target Allocation
Fixed Income	85 - 100%	90%
U.S Treasuries	0 – 100%	
U.S. Agency Obligations	0 – 100%	
Time Deposits	0 – 100%	
Money Market Mutual Funds	0 – 100%	
Corporate Bonds	0 – 40%	
Structured/Securitized Securities	0 – 35%	
Municipal Obligations	0 – 30%	
Bankers' Acceptances	0 – 25%	
Negotiable Certificates of Deposit	0 – 25%	
Commercial Paper	0 – 25%	
Equity	0 – 15%	10%

Proposed Designated Assets – Long-Term Equity

- a. **Purpose:** This quasi-endowment is funded with OSU's excess operating assets intended for longer term investments and potentially higher rates of return.
- b. **Objective:** The primary objective of this portfolio is capital appreciation with the ability to assume more risk and volatility than Tier 1 and 2 investments. Tier 3 investments are long-term and include investments intended to be held longer than ten years.
- c. **Risk tolerance:** Some principal volatility is tolerated but will be mitigated through asset allocation across asset classes to reduce the impact of market volatility in a manner that is consistent with fiduciary standards of diversification.

Policy Updates – Table 2

- Operating Assets
- **Board Designated Assets**
 - **Long-Term Equity**

Asset Class	Allocation Range	Target Allocation
U.S Equity	90 65 – 100%	70%
Large-Cap	45 – 100%	55%
Small-/Mid-Cap	0 – 20%	15%
Non-U.S. Equity	10 – 35%	30%
Developed Markets	10 – 35%	25%
Emerging Markets	0 – 10%	5%

Proposed Board Designated Assets – Bond Repayment Investment

- a. **Purpose:** This quasi-endowment was funded with taxable revenue bond proceeds and is intended to grow over time to repay OSU's taxable revenue bond bullet maturities.
- b. **Objective:** The primary objective of this portfolio is capital appreciation with the ability to assume more risk and volatility than Tier 1 and 2 investments. The time horizon is long-term, and investments are expected to be held longer than ten years (Tier 3). The long-term average hurdle rate is 3% to meet the intended purpose for these quasi-endowment assets.
- c. **Risk tolerance:** Some principal volatility is tolerated but will be mitigated through diversified asset allocation across asset classes to reduce the impact of market volatility in a manner that is consistent with fiduciary standards of diversification.

Policy Updates – Table 3

- Operating Assets
- **Board Designated Assets**
 - **Bond Repayment**
 - ✓ **Proposed new allocation to fixed income (20%)**

Asset Class	Allocation Range	Target Allocation
Fixed Income	0 - 100%	20%
U.S Treasuries	0 – 100%	
U.S. Agency Obligations	0 – 100%	
Money Market Mutual Funds	0 – 100%	
Corporate Bonds	0 – 40%	
Structured/Securitized Securities	0 – 35%	
Municipal Obligations	0 – 30%	
Equity	0 – 100% 15%	80%
U.S. Equity	0 – 100%	60%
Large-Cap	0 – 100%	48%
Small-/Mid-Cap	0 – 20%	12%
Non-U.S. Equity	0 – 35%	20%
Developed Markets	0 – 35%	16%
Emerging Markets	0 – 10%	4%

Recommendation

Staff recommend that the Finance & Administration Committee accept the amendment to the OSU Investment Policy.

Questions?

supplemental information

Removed Carbon Underground 200 Restriction From Policy

This language will be removed from the OSU Investment Policy:

- Investments in issuers identified by the Carbon Underground 200 published by Fossil Free Indexes LLC (or successor entity) are not permitted.
 - This restricted security list will be updated annually at the calendar year-end and enforced for all new security purchases.
 - Exposures to issuers added to the Carbon Underground 200 subsequent to purchase may be held to maturity.
 - Underlying pool policy exceptions may exist but are to be restricted when possible.

Stakeholder Forum

May 2025 Stakeholder Virtual Forum

Held stakeholder virtual forum in May of 2025

Post-Event Access to Recording Provided

Provided recording post event for two weeks

Building Awareness: OSU's Investment Policy

Shared information about OSU's current investment policy

Stakeholder Feedback on Framework

Gathered feedback on a set of guiding principles to inform updates to OSU's investment policy and a framework for ongoing community outreach

Survey Captured Stakeholder Sentiment

Survey included a series of questions with responses ranging from strongly agree, agree, neither agree or disagree to strongly disagree, disagree or neither