

OSU INVESTMENT POLICY PROPOSED AMENDMENTS

Finance and Administration Committee
May 7, 2026



Oregon State
University

Background

The duties of the Finance and Administration Committee include reviewing and recommending to the board University investment policies and monitoring financial performance. At the March 2026 meeting, the committee discussed adding investment performance and benchmarking tools to the policy. These recommended changes are informed by that discussion with trustees.

Risk Tolerance

- A key enhancement formally incorporates risk tolerance, recognizing that some market volatility is necessary to achieve long-term objectives. This aligns the policy with best practices by clarifying a diversified approach to risk while maintaining focus on capital preservation and near-term liquidity.
- Proposed policy amendment to add (red font):

Risk Tolerance

The University seeks to control risk and reduce volatility through diversification. However, short-term volatility is characteristic of the investment markets and will be tolerated if such volatility is consistent with the volatility of similar investment portfolios (such as the volatility of performance benchmarks, described below). The University recognizes and acknowledges that some risk must be assumed to achieve long-term investment objectives.

Performance Evaluation and Benchmarks

- Amendment strengthens performance oversight by introducing a clear benchmarking framework and regular manager reviews. Returns will be reported quarterly over one, three, five, and ten-year periods, with defined criteria for manager retention or termination. This enhances accountability and aligns performance with long-term objectives.
- Proposed policy amendment to add (red font):

Performance Evaluation and Benchmarks

Monitoring and evaluating performance relative to appropriate performance benchmarks is a prudent investment management practice. Performance benchmarks are used to properly measure and evaluate the success of the individual investment managers and University investment portfolios. The performance benchmarks should be representative of the University's long-term return objectives and risk tolerance. The performance benchmarks will be evaluated for potential changes if the University changes its long-term return objectives, risk tolerance, or asset allocation targets.

Individual investment manager and University investment portfolio performance will be monitored on at least a quarterly basis and evaluated over rolling three, five, and ten-year periods. Investment managers may be terminated due to sustained underperformance, changes in process or style, key personnel departures, fee changes, or other issues affecting expected outcomes.

Investment Restrictions

- Updates enhance clarity and flexibility. The policy now defines commingled funds, recognizing third-party pooled investments, and refines restrictions to allow flexibility regarding the Carbon Underground 200 list—addressing compliance challenges while still encouraging alignment with university investment principles where practical.
- Proposed policy amendment (red font):
 - Investments in issuers identified by the Carbon Underground 200 published by Fossil Free Indexes LLC (or successor entity) are not permitted.
 - This restriction shall not apply to investments held in Commingled Funds. Reasonable effort shall be made, to the extent practicable, prudent, and appropriate, to utilize Commingled Funds that have investment objectives and policies that are consistent with the University investment policy. However, given the nature of these investments, it is recognized that there may be deviations between these policies and the objectives of the Commingled Funds.
 - ~~Underlying pool policy exceptions may exist but are to be restricted when possible.~~

Next Steps

At the October meeting, staff will present total portfolio benchmark recommendations for the various investment portfolios with a goal to incorporate the proposed benchmarks into the Q1 FY27 investment report.

Recommendation

Staff recommend that the Finance and Administration Committee recommend to the board adoption of the amended OSU Investment Policy as presented in Attachment 1.