



Policy 131

Other Post-Employment Benefits Investment Policy

Section: 100 – General Administration

Responsible Executive: Lead Financial
Administrator

Responsible Department: Investments and Treasury
Management

First Effective Date: March 19, 2004

Last Reviewed: February 2026

Next Scheduled Review: June 2029

1.0 PURPOSE

- 1.1. To provide investment management direction concerning the Other Post-Employment Benefits Fund (OPEB Fund)

2.0 BACKGROUND

- 2.1. The OPEB Fund helps to support expenses associated with Cal Poly Corporation, dba, Cal Poly Partners (“CPP”) retiree medical benefits expense and liabilities. The Board has a fiduciary responsibility as trustee of these funds. CPP employs professional financial managers and consults with the Board’s Investment Advisory Committee to meet these responsibilities.

3.0 POLICY

- 3.1. General. CPP shall manage the OPEB Fund in compliance with this policy. This policy and any related Guidelines must complement and comply with Policy 121-General Investment Policy and its Guidelines.
- 3.2. Investment Return Objectives. Provide a total return, net of fees commensurate with a growth/income allocation of VEBA Trust assets.
 - 3.2.1. The return should meet or exceed:
 - 3.2.1.1. The latest actuary calculated liability for current employees who are not yet vested in the Corporation’s retiree medical benefits program but whom one day may be.
 - 3.2.1.2. An amount equal to bring, as necessary, the Cal Poly Corporation VEBA Trust assets equal to the combined liabilities of the Corporation retiree medical benefits program for active retirees and current vested employees.
 - 3.2.2. The return should be reasonably stable and predictable and will be measured in rolling ten year periods.
 - 3.2.3. Total return is net of all investment fees and can include dividends, interest and both realized and unrealized market value changes.
 - 3.2.4. The Investment mix of equities and fixed income securities shall be consistent with the target return and the stability objective of dampening volatility over benchmark tracking error. It is acknowledged that these objectives will require a substantial investment in equities and therefore significant variation around the expected return is likely in shorter periods.
- 3.3. Spending Objective. The spending objective is to allow for the funding, as necessary, to bring the Cal Poly Corporation VEBA Trust assets equal to the combined liabilities of the Corporation’s retiree medical benefits program for active retirees and current vested employees.

- 3.4. Allowable Investments. The general goal shall be to diversify investments among both equity and fixed-income securities in order to maintain the purchasing power of the income and to protect the OPEB Fund principal in perpetuity. Allowable investments will be:
- 3.4.1. Equity Investments. The principal category of equity investments will be common stock. Stock investments should be diversified by industry, capitalization size, relative value and nation of origin. Accordingly, the Lead Financial Administrator, or his/her designee, as advised by the Investment Advisory Committee, will establish, document and make available for review by the Board the appropriate allocations and limits within these diversifying categories.
- 3.4.2. Fixed Income Investments. The principal categories of fixed income investments will be domestic, high quality intermediate or long-term corporate and treasury bonds. Investments in professionally managed below-grade instruments or international instruments may be included, subject to limitations adopted in the OPEB Fund Guidelines.
- 3.4.3. Short term. Short-term, cash-equivalent investments are appropriate as a depository for income distributions or as needed for temporary placement of funds directed for later investments to longer-term capital markets.
- 3.4.4. Other Investments. Other investments such as individual real estate, private distressed securities, venture capital, domestic and foreign private equity, directional and non-directional hedge funds or commodities (including energy and natural resources) may be utilized in the OPEB Fund portfolio if authorized by the Lead Financial Administrator, in consultation with the Investment Advisory Committee, after appropriate review and analysis of the role of the investment in the portfolio and a determination that the expected risk and return profile are in alignment with overall portfolio objectives and policies. It is expected that such other investments will be made utilizing diversified pools of assets.
- 3.5. Prohibited Investments. The OPEB Fund may not purchase investments in letter stock or individual commodities unless they are part of a broad group of commodities within a diversified fund that has been approved by the Lead Financial Administrator, in consultation with the Investment Advisory Committee. In addition, the OPEB Fund may not engage in short sales or purchases on margin unless they are part of a diversified fund that has been approved by the Lead Financial Administrator, in consultation with the Investment Advisory Committee.
- 3.6. Socially Responsible Investing. The Board of Trustees of California State University adopted a resolution urging auxiliary boards that make corporate investments to issue statements of social responsibility and to follow those precepts in examining past and considering future investment policies. The CPP Board of Directors recognizes and accepts its social responsibility with respect to the investment of funds.
- 3.7. Custodial Arrangements. All marketable securities will be held by a bonded or insured, notable and nationally recognized operating custodian. The terms and conditions of this custodial relationship shall be detailed in a written agreement.
- 3.8. Spending Objectives and Payouts. Funds may be withdrawn for the purposes of funding the Corporation VEBA Trust.
- 3.9. Reporting. The Lead Financial Administrator, or his/her designee, will provide periodic reports to the Board of Directors.

4.0 DEFINITIONS

4.1 VEBA—Voluntary Employee Beneficiary Association

5.0 PROCEDURES, GUIDELINES AND FORMS

5.1. The Lead Financial Administrator, or his/her designee, with consultation from the Investment Advisory Committee, may establish written guidelines and forms for practical operations to implement this policy. Guidelines may include philosophy and procedures, as needed.

6.0 COMPLIANCE

6.1. All CPP personnel involved in trusts and investments must comply with this policy.

7.0 REFERENCES AND RELATED POLICY

- 7.1. CSU Board of Trustee Resolution RFIN 7-78-6 Social Responsibility and Investments
- 7.2. CPP Policy 121-General Investment Policy and Guidelines

Board Approved Revisions

Technical and administrative change updates

7-26-12 for title and organization structure changes.