

Defined Benefit Investments *(Continued)*



Outline of Investment Policies

The governing body of the Utah Retirement Systems (Systems) is the seven member Utah State Retirement Board (Board). The Board is composed of the Utah State Treasurer, who serves as an ex-officio member, and six trustees who are appointed by the Governor. Four board members are appointed for their investment expertise, and two members are appointed to represent employee and employer interests.

The Board has statutory authority to pool pension assets in the Utah Retirement Investment Fund (Fund). Statutes also establish that this Fund will be invested in accordance with the “prudent person rule.” The prudent person rule requires all members of the Board and investment staff to discharge their duties solely in the interest of Systems’ participants and beneficiaries and with the care, skill, prudence, and diligence that they would exercise in the conduct of their own affairs. To this end, a Statement of Investment Policy and Performance Objectives has been created for the Fund and adopted by the Board. The purpose of this Statement is to:

- » Outline the expected return and risk profile for the Fund;
- » Establish the target asset allocation mix and acceptable rebalancing ranges;
- » Describe plan and manager policies and objectives for performance evaluation;
- » Communicate investment performance standards to investment managers.

The primary investment objectives are to preserve Fund assets and generate an appropriate level of risk-adjusted return to meet future pension obligations. The Systems

2019 Investment Summary

(dollars in thousands)

	2019 Beginning Fair Value	Purchases	Sales and Redemptions	Increase (Decrease) in Fair Value	2019 Ending Fair Value Balance	Percent of Total Fair Value
Short-term securities	\$ 1,590,727	37,013,702	(36,750,305)	1,662	1,855,786	5.21%
Equities	11,006,650	2,541,886	(2,319,594)	2,206,628	13,435,570	37.73
Debt securities	5,313,032	19,938,126	(19,312,862)	238,202	6,176,498	17.34
Real assets	5,206,229	694,795	(718,667)	(234,699)	4,947,658	13.89
Private equity	3,661,356	517,262	(316,099)	150,353	4,012,872	11.27
Absolute return	4,598,396	3,228,345	(2,751,652)	108,531	5,183,620	14.56
Totals	\$ 31,376,390	63,934,116	(62,169,179)	2,470,677	35,612,004	100.00%

Defined Benefit Investments *(Continued)*

periodically complete an asset allocation and liability study to determine the optimal portfolio diversification to meet those obligations.

The Systems' investment portfolio includes strategic, long-term commitments in the following asset classes: Equities, Debt Securities, Real Assets, Private Equity, and Absolute Return. Asset allocation is reviewed in conjunction with the plan liabilities at least every five years.

The Board's policy is to establish a long-term strategic asset allocation that manages overall expected portfolio risk (volatility) and maximizes expected return without unduly constraining the discretionary, tactical decision-making process of the investment managers.

To implement the asset allocation plan, the Executive Director, supported by the Board, staff, and consultant, selects appropriate money management experts to invest the Fund assets. This selection process includes the creation of specific search criteria, completion and documentation of analysis, and due diligence on potential candidates, and interviews completed by the staff and/or Board. It is not the staff or Board's intention to be involved with the day-to-day decisions made by external investment managers. Internal investment staff also manages segments of the portfolio.

All managers are expected to communicate with the staff at least quarterly.

Managers' portfolios are evaluated both against appropriate market indices and similar manager style groups. The investment policy outlines appropriate benchmarks.

Investment return calculations are prepared using a time-weighted rate of return.

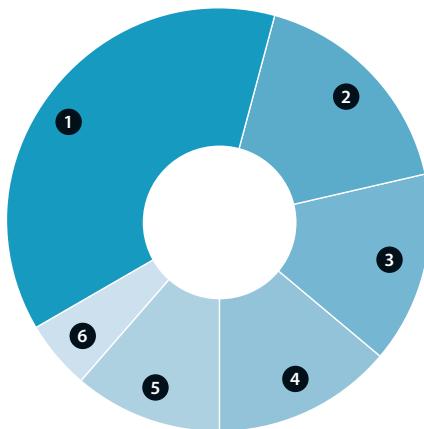
The allocation of assets as reported to the board are as follows: Equity securities 39.5%, Debt securities 20.8%, Absolute return 15.0%, Private equity 11.3% and Real assets 13.4%. These allocation percentages differ from investment asset percentages presented in the MD&A and Statement of Fiduciary Net Position as a result of different methodologies used to categorize investment assets and the impact of derivatives for investment purposes versus financial statement presentation purposes. For investment purposes the impact of derivatives used to rebalance the defined portfolio are expressed using the notional value of those derivatives.



Defined Benefit Systems Investments at Fair Value

December 31, 2019

- 1 Equity Securities (37.7%)
- 2 Debt Securities (17.3%)
- 3 Absolute Return (14.6%)
- 4 Real Assets (13.9%)
- 5 Private Equity (11.3%)
- 6 Short Term (5.2%)



December 31,	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019
Equities securities	35.8%	35.2	36.2	37.5	35.5	33.9	35.2	37.8	35.1	37.7
Debt securities	21.0	19.4	17.9	16.0	15.7	15.8	15.0	14.2	16.9	17.3
Private equity	8.8	10.8	11.3	11.0	11.8	11.9	11.3	10.7	11.7	11.3
Real assets	14.4	13.9	13.5	12.2	14.0	14.9	14.7	14.8	16.6	13.9
Short-term securities	5.0	4.9	5.9	6.6	5.8	8.2	8.2	8.6	5.1	5.2
Absolute return	15.0	15.8	15.2	16.7	17.2	15.3	15.6	13.9	14.6	14.6
Total portfolio	100.0%	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0