

LOYOLA UNIVERSITY EMPLOYEES' RETIREMENT PLAN TRUST

INVESTMENT POLICIES AND OBJECTIVES

1. Background

This Statement of Investment Policies and Objectives ("Investment Policy") governs the investment of assets of the Loyola University Employees' Retirement Plan ("LUERP" or "the Plan"), as amended and restated effective January 1, 2008. The Plan was adopted October 1, 1949 and covers eligible employees of the following employers:

- Loyola University of Chicago
- Loyola University Medical Center
- Loyola Academy
- Loyola Press (formerly Loyola University Press)
- Jesuit Retreat League of Chicago
- St. Ignatius College Prep (former

2. Roles and Responsibilities - Retirement Allowance Committee

Pursuant to Article 9.1 and 9.4 of the Plan as amended and restated effective January 1, 2008, and in addition to the powers, rights and duties specifically given to the Committee elsewhere in the Plan and the Trust, the Committee has the following powers, rights and duties:

- A. To establish a strategic policy for the investment of the assets of the Plan;
- B. To review this Statement of Investment Policies and Objectives periodically and approve modifications as necessary;
- C. To review all reports provided by the Plan Administrator and the University Treasurer's Office;
- D. To review all expenses charged to the Plan incurred in connection with the administration, interpretation, applications and enforcement of the Plan;
- E. To approve the appointment of the trustee of the Trust; and
- F. To employ advisors to assist in carrying out its duties.

The Retirement Allowance Committee is expected to delegate certain of its responsibilities to others, such as the University Treasurer's Office, and may utilize the services of external advisors, such as actuaries, auditors, consultants and legal counsel, to assist in fulfilling its fiduciary responsibilities. The comments and recommendations of such parties will be considered by the Retirement Allowance Committee in conjunction with other available information for the purpose of making informed and prudent decisions.

3. Roles and Responsibilities - Un

- D. To establish rules, policies and procedures with respect to the investment, reinvestment, control, management, safekeeping, and disbursement of the funds held in the Trust in accordance with the provisions of the Plan and the strategic policy for the investment of the assets of the Plan established by the Committee;
- E. To provide the Committee with reports no less than quarterly of year-to-date income, expenses, appreciation, and asset allocation describing the investment of the Plan assets; and
- F. To employ agents, attorneys, accountants, investment managers or other persons and to allocate to them such powers, rights and duties as the University Treasurer's Office may consider necessary or advisable to properly carry out its responsibilities under the Plan and to take all such other actions as are necessary or desirable with respect to the Plan, provided that such allocation or designation and the acceptance thereof by such accountants, attorneys, investment managers or other persons, shall be in writing.

4. Roles and Responsibilities - Investment Managers

The Retirement Allowance Committee may, from time to time, cause the Fund to retain one or more investment managers. The investment managers as fiduciaries of the Fund, assume certain responsibilities. Specifically, the investment managers have discretionary authority to invest a specific allocation of the Fund subject to the parameters set forth in the investment guidelines section of each manager's investment management agreement.

The duties of an investment manager are documented in the investment management agreement which is executed upon the appointment of that investment manager as an investment manager of the Fund. These duties generally consist of the following:

- A. Complying with the applicable provisions and standards of ERISA and other applicable laws.
- B. Understanding and accepting the designated role within the Fund's investment structure.
- C. Constructing a portfolio of investments that reflects the execution of a specific investment strategy.
- D. Adhering to the investment management agreement, including its investment guidelines.
- E. Periodically reporting to the Treasurer's Office or the Retirement Allowance Committee regarding the assets under management.

5. Roles and Responsibilities - Investment Consultant

The Retirement Allowance Committee may, from time to time, cause the Fund to retain an individual or an investment consulting organization (the "Investment Consultant") to assist in the overall strategic investment direction of the Fund. Each such consultant, in recognition of its role as a fiduciary of the Fund, will assume specific duties. These duties shall generally include the following:

- A. Assisting the Retirement Allowance Committee in fulfilling its responsibilities regarding the Fund.
- B. Assisting in the evaluation of the financial condition of the Fund as requested by the Retirement Allowance Committee.
- C. Recommending appropriate investment strategies based on the financial condition of the Fund, including liquidity needs and future funding obligations of the participating employers.
- D. Recommending the asset allocation, investment structure and strategy (including the investment objectives, policy and guidelines) and qualified investment managers to execute investment strategy.
- E. Recommending the individual investment objectives, policy and guidelines for each qualified investment manager.
- F. Monitoring and evaluating the ongoing progress of the Fund toward stated investment goals and objectives.
- G. Recommending appropriate action should an investment strategy or individual investment managers fail to meet expectations.
- H. Recommending strategy changes in response to material changes in either the financial condition of the Fund or the capital market environment.
- I. Any additional duties as may be provided in the written agreement between the Retirement Allowance Committee and the Investment Consultant.

6. Roles and Responsibilities – Master Trustee

The Retirement Allowance Committee will utilize as master trustee the services of a bank or trust company that will be responsible for holding and safekeeping Trust assets; settling purchases and sales of securities; identifying and collecting income which becomes due and payable on assets held; and providing a management information/accounting system.

7. Investment Policies and Objectives

- A. Investment of the assets of the Plan shall be made solely in the interest of the participants and beneficiaries of the Plan and for the exclusive purpose of providing benefits to such participants and their beneficiaries.
- B. The assets of the Plan shall be invested with the care, skill, prudence and diligence under the circumstances then prevailing, that a prudent man acting in like capacity and familiar with such

matters would use in the investment of a fund of like character, with like aims and with due consideration given to the tax-exempt character of the Plan.

- C. Investment of Plan assets shall be so diversified as to minimize the risk of large losses, unless under particular circumstances it is clearly prudent not to diversify.
- D. Consideration shall be given to: a) the protection of Plan assets so that such assets shall be preserved for providing benefits to the Plan's participants and their beneficiaries, and b) such long-term growth in the Plan's assets (either in the form of income and/or capital appreciation) as may fairly balance the need for reasonable return against investment risk. In this regard, short-term fluctuations in the market value of Plan assets shall be consid

The Committee recognizes long-term asset allocation policy to be a key mechanism for accomplishing the investment objectives set forth above, and that a long time horizon is appropriate, given the long-term nature of the Plan's liabilities. In developing strategic asset allocation guidelines for the Plan, an emphasis is placed on "liability-hedging" assets (assets invested to behave similarly to the Plan's liabilities) and "return-seeking" assets (assets invested to seek to generate returns above the growth rate of the Plan's liabilities). Individual asset classes, and the benefits of diversification among multiple asset classes, inform the strategic asset allocation and are expressed in the portfolio construction process. Consideration is also given to the proper long-term level of risk for the Plan, particularly with respect to the long-term nature of the Plan's liabilities and the funded status of the Plan.

The establishment of a long-term policy has taken into consideration the impact of shorter-term risks on both the Plan's investments and the potential volatility of minimum required contributions and other Plan characteristics. The Committee has identified and approved appropriate asset classes for the Plan's investments, has adopted strategic allocation targets, and has designated allowable ranges around these targets. Given the investment objectives of the Fund and the Committee's risk tolerance, the Committee has adopted the following strategic asset allocation for situations where the funded status of the plan is 80 percent or lower.

Strategic Asset Allocation

Asset Class	Current	Target	Rebalancing Range
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Dynamic Investment Policy

A dynamic investment policy lays out pre-determined benchmarks for changes to the investment policy of the Plan. Specifically, it puts forth changes in asset allocation policy that will be effected once certain funded status conditions are met.

The Committee’s goal is to attempt to increasingly match investment returns to liability returns as the funded status of the Plan improves. This will be primarily accomplished through the allocation to liability-hedging assets within the Plan. The increase to liability-hedging assets is expected to reduce the funded status volatility of the Plan. The Committee recognizes that a certain level of asset/liability volatility, or surplus risk, will exist even when there are relatively large allocations to liability-hedging investments in the Plan, and is willing to accept some measure of surplus risk where judged appropriate to seek improvements to funded status after consideration of Plan costs and expenses.

Based on the objectives above and the Asset Liability Modelling (“ALM”) Study presented by the Investment Consultant on March 7, 2017, the Committee has adopted the following dynamic asset allocation “glidepath,” with reference to the identified funded status triggers:

Target Portfolio Parameters

Target:	Initial	1	2	3	4	5	6	7	8
Funded Ratio (PBO Basis)	<80%	80%	85%	90%	95%	100%	105%	110%	115%
Return-Seeking Assets*	70%	66%	62%	58%	54%	50%	46%	42%	38%
Liability-Hedging Assets	30%	34%	38%	42%	46%	50%	54%	58%	62%
Range	+/- 3.5%	+/- 3.5%	+/- 4.0%	+/- 4.0%	+/- 5.0%	+/- 5.0%	+/- 5.5%	+/- 6.0%	+/- 6.0%
Interest Rate Hedge Ratio **	At least 30%	At least 35%	At least 40%	At least 45%	At least 50%	At least 55%	At least 60%	At least 65%	At least 70%

* May include public and private equity, alternative credit, 0333.6sr /TT2 e 398.76 363 cmginnds8.767quive228editreal3.2q

and liabilities according to the target asset allocation. These investments will primarily be comprised of high-quality fixed income securities which, in aggregate, will provide the Plan with the desired interest rate hedge ratio and have a relatively high correlation to the Plan's liability, as measured on a PBO basis.

Return-seeking investments seek to provide the Plan with investment returns in excess of the growth of the liability over time. These strategies include all investments not deemed to provide liability hedging characteristics to the Plan, and will be less correlated to them. The return-seeking allocation may include public and private investments in equity, below-investment-grade credit, real assets, and other diversifying investments deemed suitable to these objectives.

As the funded status of the Plan improves and the allocation between liability-hedging and return-seeking investments changes, the composition of investments within these broad categories will also change in consideration of many factors. As the liability-hedging allocation increases, efforts will be made to minimize, to the extent possible, investment performance differences between liability-hedging investments and the Plan's measured liability. As the return-seeking allocation decreases, target allocations to investments within the category may be changed, or eliminated, in order to improve the efficiency of the allocation.

9. Portfolio Rebalancing

The portfolio shall be rebalanced as often as is necessary to manage and control variances between actual and policy targets. At the discretion of the University Treasurer's Office, rebalancing the portfolio may be managed through the use of derivatives instruments and/or cash flows and purchases and sales.

Allocations to non-traditional strategies that cannot be replicated using futures or rebalanced using cash flow will have variances between actual and policy targets. The net difference may be allocated on a pro rata basis to the marketable segments of the portfolio.

10. Structural Considerations for Selected Asset Classes

A. Equity Investments

- i. The purpose of marketable equity investments (defined as all classes of stock including common, preferred and convertible) is to provide a total return that will simultaneously provide for the growth of principal and current income, while at the same time preserving the purchasing power of the Plan assets. It is recognized that this entails the assumption of equity market volatility and risk.
- ii. The objective is to outperform after fees a relevant market benchmark. Performance will be monitored on a regular basis and evaluated over running five-year periods.
- iii. Decisions as to individual securities

provisions of ERISA. It is the duty of the University Treasurer's Office to ensure that the total equity portfolio is adequately diversified.

- iv. The structure of both the U.S. and non-U.S. equity segments shall consist of a manager or managers representing the entire equity opportunity set. Periodic rebalancing among managers is required.

B. Private Capital Investments

- i. The purpose of private investment strategies is to capture a liquidity premium that will provide a higher return than that available from more liquid marketable investments. The long term total return objective for private market investments is 300 basis points above the Russell 3000 over a five-to-ten-year investment period.
- ii. Private capital may include investments in buyout, venture capital, and energy/natural resource strategies. Due to the nature of many private capital investments, it may have been necessary to make multi-year commitments to investment funds where the dollars committed exceeded the target allocation for private capital. Private capital investments are illiquid in nature and may require capital to be committed for periods in excess of ten years.
- iii. The target allocation to private capital investments will gradually be lowered to zero in tandem with the liquidation of current holdings.

C. Liability-Hedging Investments

- i. The purpose of the portfolio's liability-hedging investments is to hedge partially the changes in the Plan's discounted liability value, reduce the volatility of the funded status, reduce the volatility of the portfolio, provide a deflation hedge, and produce current income.
- ii. The liability-hedging investments will be structured to target a specific interest rate and/or credit hedge ratio in accordance with the asset allocation policy through the use of cash securities and/or derivative instruments.
- iii. Fixed income investments may include inflation protected securities issued by the U.S. government (TIPS) or other entities.
- iv. The objective for fixed income portfolios is to match or outperform after fees selected fixed income indexes depending on the mix of active and passive strategies.

D. Real Assets

- i. The purpose of real assets investments is to provide a total return that includes appreciation and current income, to reduce the overall volatility of the portfolio, and to provide an inflation hedge.
- ii. The objective for real assets investments is to match or outperform after fees selected real assets indexes. Performance will be monitored on a regular basis and evaluated over a market cycle.

iii. Investments will be in publicly traded securities and private real assets.

E. Credit Strategies

i. The purpose of investments in credit strategies is to provide a total return that includes

- (a) Investment philosophy and process
- (b) Stability of the firm's ownership
- (c) Professional background of the key investment professionals
- (d) Resources of the firm
- (e) Alignment of economic interests between the manager and the University
- (f) Compensation arrangements for key professionals
- (g) Ability to attract and retain talent

ii. Quantitative Factors

- (a) Performance compared to industry peers
- (b) Demonstrated skill versus the benchmark
- (c) Style consistency
- (d) Fee structure

C. Investment guidelines for each manager of a separate account will be established by the University Treasurer's Office and agreed to by the manager.

D. Each manager must satisfy the Trust's requirements for appointment of a manager. Except for managers of certain pooled funds, each manager must sign an investment management agreement agreed to by the University.

E. Derivatives

- i. The Trust may employ all types of derivative instruments to implement investment strategies, including but not limited to financial futures, forwards, swaps, option contracts, and options on futures.
- ii. Stock, bond and index futures, options and options on futures, and swaps may be utilized to manage the overall asset allocation and gain or hedge market exposure in a cost-efficient manner.
- iii. Derivatives may be utilized in the fixed income portfolio to achieve Plan objectives more efficiently than is possible in the cash market, primarily with respect to adjusting the attributes of fixed income assets to hedge the change in the liability of the Plan.
- iv. Derivatives may not be used in an overlay program to create leveraged positions beyond the aggregate value of the Trust assets.
- v. Any overlay strategy employed to hedge the risk of the total portfolio must receive the approval of the Committee prior to implementation.
- vi. At the discretion of the University Treasurer's Office, a manager may be given the flexibility to use derivative instruments. Such instruments will not be used to create portfolio leverage or for speculative purposes.
- vii. The Trust will invest in commingled fund investments that provide the manager maximum flexibility to use an array of securities including derivative-based strategies (including but not limited to futures and options).

