University of New Mexico Retiree Welfare Benefit Trust

INVESTMENT GUIDELINES

February 26, 2024

THE UNIVERSITY OF NEW MEXICO

INVESTMENT GUIDELINES

The New Mexico Retiree Welfare Benefit Trust, as amended, was established between UNM and the Trustee with an effective date of July 1, 2013. The guidelines detailed below are intended to satisfy section 4.2 of the Trust which requires that the Plan Administrator, "shall establish the written investment objectives, policies, and restriction for Trust Fund investments, including but not limited to proxy-voting guidelines". The Plan Administrator will review these Guidelines annually with the Trustee.

The Guidelines are effective February 26, 2024, and supersede all previous versions.

INVESTMENT PHILOSOPHY

The Trust has a long-term investment horizon, and allocates its assets accordingly. It is recognized that a strategic long-term asset allocation plan implemented in a consistent and disciplined manner will be the major determinant of the Trust's investment performance.

The assets will be managed on a total return basis. The Policy also recognizes the importance of preservation of capital. It is appropriate to consider alternative investment strategies if such strategies are in the Trust's best interest on a risk-adjusted basis and are consistent with sufficient liquidity and investment risks that are prudent and reasonable, given the prevailing capital market conditions. Risk management of the investment program is focused on understanding both the investment and operational risks to which the Trust is exposed. The objective is to minimize operational risks and realize an appropriate return for the investment risks that the VEBA Committee is willing to accept.

INVESTMENT OBJECTIVES AND POLICIES

Return Goal: The long-term objective of the Trust is to earn a return sufficient to preserve the purchasing power of the Trust to fund retirement benefits for contributing UNM employees. Ultimately, the goal is to achieve an annual total return, net of management and custodial fees that equals or exceeds the estimated annual benefit distributions, and inflation as measured by the U.S. Department of Labor All Urban Consumer Price Index "CPI-U".

Given the current unfunded status of the plan an intermediate return objective is established to reflect the return goal during the accumulation phase. During the accumulation phase the Trust has the ability to pursue a higher return since regular contributions are expected to be significant relative to the current Trust balance. As such, the intermediate return objective is 6-7% over a full market cycle.

Return Measurement: To achieve the Return Goal, the Trust assets will be invested to generate a total return consisting of market appreciation and depreciation and/or dividend and interest income. While there cannot be complete assurance that the Return Goal will be realized, it is believed that the likelihood of realization is enhanced by diversifying the assets of the Trust. Over time, the Guidelines will aim to achieve the Return Goal while maintaining acceptable risk levels. To accomplish this goal, the Trust will diversify assets among several asset classes. The following objectives are designed to support achievement of the Return Goal and are net of (after) investment expense:

- Total Trust assets should achieve an annualized nominal rate of return equal to or greater than that of the Return Goal.
- In general, active managers will be expected to provide returns greater than their appropriate benchmark, net of fees, while utilizing acceptable risk levels, over rolling thirty-six month periods. In contrast, passive managers will be expected to provide returns nearly identical to the appropriate benchmark, before reasonable fees, with no more volatility than the benchmark.

Preservation of Capital: Consistent with their respective investment styles and philosophies, investment managers shall make reasonable efforts to preserve capital, understanding that losses may occur in individual securities.

Cash Reserves: In accordance with the Trust's long-term investment horizon, a fully invested position should be maintained for the overall portfolio with minimal, but sufficient cash reserves to meet all Trust distribution requirements.

Risk: It is important that risk is defined so that the assets are managed in a manner consistent with investment objectives and strategies. The guidelines define risk as:

- Overall Investment Risk - the probability of not maintaining purchasing power over the Trust's investment time horizon, net of spending and investment expenses.
- Operational Risk - the potential of loss arising from deficiencies in internal controls, human errors, physical systems failures and other business execution risks.
- Cash Flow Risk - the probability of not achieving the Trust's short term cash flow requirements.
- Compliance Risk - non-compliance with applicable State of New Mexico statutes concerning the investment of public funds.
- Interest Rate Risk - the potential for fluctuations in bond prices due to changes in interest rates and/or a duration/liability mismatch.
- Credit Risk - the possibility that a bond issuer will fail to make timely payment of either interest or principal to the portfolio.
- Reinvestment Risk - the possibility that the proceeds of a maturing or called security will be reinvested at lower yields as a result of a general interest rate decline in the bond market.
- Liquidity Risk - the possibility that the liquidity of the market for a security may decline thereby making it more difficult to dispose of the security promptly; presenting difficulties in valuation of the security; or causing the security to experience greater price volatility.

Asset Allocation: Asset allocation is the single most important decision that affects the Trust. Investment research has determined that a significant portion of a portfolio's investment behavior can be attributed to (1) the asset classes/styles that are employed by the portfolio, and (2) the weighting of each asset class/style. Given its importance, the asset allocation and allocation targets will be reviewed by the **Plan Administrator** at least annually and revised as necessary.

- The asset allocation shall be determined taking into consideration input from the Trustee and taking into consideration the asset allocations of similar portfolios.
- The asset allocation shall be designed to give balance to the overall structure of the investment program over a long-term horizon.
- Asset allocation decisions will not be based on market timing. However, some factors may impact the guideline allocation, thereby requiring an asset allocation review and possible rebalancing. Some of these factors include a change in the assessment of the intermediate and long-term outlook for different types of asset classes and styles or divergence in the performance of the different asset classes and styles.
- In consultation with the Trustee, specific target asset allocations may be established by the VEBA Committee within the target and maximum ranges of the guidelines to address current economic and/or market conditions.
- The University, at its discretion, may engage an investment consultant to advise on asset allocation and strategy.

Assets shall be invested within the following target and maximum ranges for each asset class:

	Percent of Total Assets	
Asset Class	**Target**	**Max**
Domestic Equity[1]	45%	59%
International Equity[1]	30%	39%
Fixed Income and Cash	25%	33%
Liquid Alternatives	0%	15%

1 The combined target allocation to domestic and international equities is 75%.

Domestic Equity: Investments through index funds, exchange-traded funds, and mutual funds invested in US equity. Within Domestic Equity, target allocation weights by market capitalization, sector, and style will track the Russell 3000 Index. The committee will periodically review the actual equity allocations vs. the ACWI USA Index for consistency of market capitalization, sector, and style.

International Equity: Investments through index funds, exchange-traded funds, and mutual funds invested in non-US equity. Within International Equity, target allocation weights by country and sector will track the ACWI ex-USA Index. The committee will periodically review the actual equity allocations vs. the ACWI ex-USA Index for consistency of market capitalization, sector, and style.

Liquid Alternatives: Investments available through index funds, exchange-traded funds, and mutual funds that pursue strategies beyond traditional stock and bond portfolios where securities are purchased for market appreciation or income potential. Liquid alternative strategies used in the VEBA portfolio may include the following strategies:

- Long/Short and Hedged stock or bond portfolios (Hedging and shorting can be accomplished through the use of derivatives such as options and futures. Leverage should not be excessive when compared to investable capital of the strategy)
- Real Estate Investment Trusts
- Commodities
- Managed Futures
- Macro strategies that move investments among a variety of asset classes based on broad global economic issues.

Liquid Alternatives beyond those listed above will be discussed with the Committee prior to use in the portfolio.

Portfolio Rebalancing: It is desirable to rebalance the Trust's holdings periodically to minimize deviations from the Guideline's asset allocation mix. The Trustee shall inform the Plan Administrator at the close of any quarter in which rebalancing the Trust is necessary and take appropriate steps to rebalance the portfolio to conform to policy limits..

AUTHORITY AND RESPONSIBILITY

The Plan Administrator: Pursuant to the terms of the Trust, UNM has reserved to the Plan Administrator, with input from the VEBA Committee, the right to invest and reinvest the Trust Fund and to direct the Trustee accordingly. In performance of its duties under the Trust, the Plan Administrator may:

- Approve the use of new investment products or asset classes that are not currently addressed in these investment guidelines. Monitor the Trust investments.
- Modify the asset allocation.
- Review the performance of any firm or entity retained by the Trustee.
- Modify these Guidelines from time-to-time.
- Provide the President of UNM, who is delegated authority pursuant to Regents' policy section 6.3, with an annual report regarding the Trust Fund.

The Trustee: In performance of its duties under the Trust, the Trustee shall:

- Report all activity to the Plan Administrator on a timely basis, but in no event will such report be provided on less than a quarterly basis. Such reports shall include a comparison of performance with the agreed-upon benchmark, and might include details about the holdings and strategies of the applicable product.

- Vote, or cause to be voted, all proxies on securities held by the Trust.
- Provide the Plan Administrator and VEBA Committee with copies of audited financial statements covering the investment products in a timely manner.
- Make presentations to the VEBA Committee when and as requested.
- Maintain a strict adherence to the terms of the Trust.
- Provide the Plan Administrator with a written notice within five business days of any of the following: (a) any change in ownership or legal entity status of the Trustee; (b) any change in key personnel; (c) any change in investment philosophy or style; (d) any actual or threatened civil or criminal charges filed against the Trustee by a government regulator.
- Disclose any fee relationship with an, advertisers, placement agent or other provider of services for the Trust.

In order to perform its duties under the Trust and these Guidelines the Trustee may, upon prior written approval of the Plan Administrator, retain, monitor, supervise and discharge any entity, company, firm, advisor or agent it deems necessary and prudent.