

# **The University of Texas/Texas A&M Investment Management Company**

## **Delegation of Authority Policy**

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Effective Date of Policy: June 19, 2025

Date Approved by UTIMCO Board: June 19, 2025

Supersedes: Delegation of Authority Policy effective June 20, 2024

### **Purpose:**

The purpose of the Delegation of Authority Policy is to provide a clear delineation of responsibilities of the UTIMCO Board of Directors and the UTIMCO employees. Section 66.08 of the *Texas Education Code* provides that UTIMCO's duties to the U. T. System Board of Regents with respect to the management of investment funds shall be governed by a contract between the two parties. UTIMCO provides various investment management services to the U. T. System Board as more fully described in the Investment Management Services Agreement by and between the U. T. System Board and UTIMCO. The UTIMCO Board is responsible for management and investment oversight of UTIMCO. The UTIMCO Board recommends amendments to the Investment Policies for approval by the U. T. System Board. The UTIMCO Board is responsible for overseeing the investment process to execute the established Investment Policies. However, to enhance the competitiveness of the investment process, improve management and operational efficiency, and define and concentrate accountability for performance, certain duties and responsibilities are delegated by the UTIMCO Board to UTIMCO Management. This Policy defines the delegation of authority in the two primary areas of UTIMCO operations:

- (1) Management, Operations, and Finance; and
- (2) Investments.

### **Objective:**

By clearly defining the scope of delegated authority to UTIMCO Management, this Policy enhances operational efficiency and timeliness in decision making, thereby enhancing competitiveness.

### **Scope:**

This Policy applies to all matters under UTIMCO control. The only delegations of authority granted by the UTIMCO Board are enumerated in this Policy, and any authority not specifically granted in this Policy is retained by the UTIMCO Board acting as agent for the U. T. System Board, provided that nothing contained in this Policy is intended to, or shall, limit any delegation of authority otherwise set forth in the UTIMCO Bylaws, the Investment Management Services Agreement, any Committee Charter, any Investment Policy, or any formal policy adopted by the UTIMCO Board.

### **Authority Delegated to UTIMCO Management:**

The primary functions of the UTIMCO Board are to formulate, revise, oversee, implement, and conduct ongoing oversight of the policies it has established for UTIMCO. The duties and responsibilities of the UTIMCO Board are enumerated in the UTIMCO Bylaws, Articles of Incorporation, Committee Charters, Investment Management Services Agreement, and UTIMCO policies. To execute its responsibilities more efficiently, the UTIMCO Board has

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delegated the authority to implement UTIMCO policies to UTIMCO Management in two primary areas: (i) Management, Operational, and Financial Authority; and (ii) Investment Authority.

***Management, Operational, and Financial Authority:*** Final authority for the functions listed below rests with the UTIMCO Board:

- Administration, Accounting and Financial Management;
- Systems Technology Management;
- Personnel Management;
- Legal and Compliance;
- Client Relations and Reporting; and
- Public Relations.

However, the UTIMCO Board hereby delegates authority to UTIMCO Management in each functional area as specified below:

***Administration, Accounting, and Financial Management:*** All day-to-day operational decisions to UTIMCO Management. This delegation includes, but is not limited to, all administrative decisions regarding the management of endowment and operating funds as well as all administrative and financial decisions associated with the operation of UTIMCO. This delegation includes the authority to execute all contracts and agreements, subject to the limitations defined below.

***Systems Technology Management:*** All decisions regarding the operation and management of all systems technology assets to UTIMCO Management. This delegation includes the authority to execute all contracts and agreements, subject to the limitations defined below.

***Personnel Management:*** To the UTIMCO Chief Executive Officer, all personnel management decisions regarding positions included in approved UTIMCO operating budgets, and grants authority to the Chief Executive Officer to add non-budgeted personnel as necessary, subject to review in the following budget cycle, provided that the addition of any non-budgeted personnel shall be promptly reported to the UTIMCO Board. All compensation decisions for officers of UTIMCO are excluded from this delegation.

***Legal and Compliance:*** Except as provided in the Investment Management Services Agreement, all legal and compliance operations to UTIMCO Management, while retaining all oversight functions as specified in UTIMCO policies.

***Client Relations and Reporting:*** All client relations and reporting decisions to UTIMCO Management.

***Public Relations:*** To the UTIMCO Chief Executive Officer, in conjunction with The University of Texas System Office of Media Relations and Communications and the University of Texas

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System Office of Governmental Relations, all decisions regarding public relations matters, except for those matters that are reserved to the UTIMCO Vice Chair for Policy.

In addition, to facilitate the execution of the authority granted above, the UTIMCO Board hereby delegates the following specific duties and responsibilities to UTIMCO Management:

- **Contracts:** To the UTIMCO Chief Executive Officer the authority to execute on the behalf of UTIMCO all contracts, leases, or other commercial arrangements (except investment management agency contracts; partnership, subscription or other investment agreements; investment consultant agreements and agreements with independent auditors) for a total obligation of \$2 million or less during the contract term; provided that, for purposes of this delegation any contract that does not have a fixed term shall be deemed to have a term of one year; provided further, that notice of any such new contracts, leases, or other commercial arrangements of \$500,000 or more shall be reported to the UTIMCO Board at its next regularly scheduled meeting, and annually, all existing contracts, leases, or other commercial arrangements of \$500,000 or more shall be reported to the UTIMCO Board.
- **Fiduciary Counsel: Management of UTIMCO's Fiduciary Counsel:** To the UTIMCO Chief Executive Officer and the UTIMCO General Counsel, the authority to direct the day-to-day work product of the UTIMCO Fiduciary Counsel, provided that the UTIMCO Fiduciary Counsel shall continue to have primary reporting responsibility to the UTIMCO Board.

**Investment Authority:** The UTIMCO Board hereby delegates the following specific duties and responsibilities to UTIMCO Management:

- **Tactical Asset Allocation:** Without limitations of timing, procedures, or vehicles utilized, decisions regarding tactical asset allocation within the ranges established in Investment Policies including rebalancing portfolio weights to Policy Target Weights or actively deviating from Policy Weights as market conditions dictate, are hereby delegated to the UTIMCO Chief Executive Officer, as long as any decisions do not violate established Investment Policies. Short sales of securities (including exchange traded funds, and individual common stocks and bonds) and equity indices or short positions established through Delegated Derivative Investments as defined in the Derivative Investment Policy may also be utilized in tactical asset allocation. Prior to implementation of any short security sale strategy and throughout the duration of the strategy, risk analyses shall be performed to verify the expected risk reducing impact of the proposed strategy and that the strategy does not result in the risk position of the total Funds being outside the policy risk range.
- **Risk Management:** The UTIMCO Board hereby delegates all decisions regarding the design and operation of any risk management system to UTIMCO Management.

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- *Allocation of Investment Funds to New Managers and Mandates:* The UTIMCO Board hereby delegates to the UTIMCO Chief Executive Officer the authority to negotiate and execute agency, partnership, subscription or other agreements and to commit UT System funds as follows:
  - New Fund Investments to a new external manager: 1.0% of Applicable Assets.
  - New Mandates with existing external managers: 1.0% of Applicable Assets.
  - Internal Mandates other than passive exposures: 1.0% of Applicable Assets.
  - New Co-investments to a direct public or private investment alongside an external manager: 0.66% of Applicable Assets.
  - The limitations described herein are subject to the Terms Applicable to All Internal and External Managers and to the Maximum Manager Mandates.
  - If the investment or mandate exceeds any of these thresholds, any Director may require a complete review by the UTIMCO Board of the investment prior to the execution of the investment.
- *Increasing Allocations of Investment Funds to Existing Managers and Mandates:* The UTIMCO Board hereby delegates to the UTIMCO Chief Executive Officer the authority to negotiate and execute agency, partnership, subscription or other agreements and to commit additional UT System funds after the Six-Month Period as follows:
  - Each Subsequent Fund Investment with existing external managers: 1.0% of Applicable Assets.
  - Additions to Internal Mandates other than passive exposures: 1.0% of Applicable Assets.
  - Each Subsequent Co-investment to a direct public or private investment alongside an existing external manager: 0.66% of Applicable Assets.
  - The limitations described herein are subject to the Terms Applicable to All Internal and External Managers and to the Maximum Manager Mandates.
  - If the investment or mandate exceeds any of these thresholds, any Director may require a complete review by the UTIMCO Board of the investment prior to the execution of the investment.
- *Small Co-investments:* Notwithstanding the foregoing, the UTIMCO Board hereby delegates to each Managing Director and above of an investment portfolio the authority to negotiate and execute agency, partnership, subscription or other agreements and to commit UT System funds as follows:
  - New Small Co-investment to a direct public or private investment alongside an existing manager: 0.10% of Applicable Assets.
  - Each Subsequent Co-investment to a direct public or private investment alongside an existing manager after the Six-Month Period: 0.10% of Applicable Assets.

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- *Terms Applicable to All Internal and External Managers:*
  - Any Director may require a complete review by the UTIMCO Board of an investment prior to the execution of the investment if, as a result of the investment:
    - UTIMCO Exposure managed by the external manager would exceed 50% of the total assets managed by the manager in that investment strategy;
    - UTIMCO Exposure managed by the internal or external manager would exceed 3.0% of Applicable Assets in any one of the Global Equity, Stable Value, or Real Return portfolios (6.0% for managers limited to Fixed Income mandates); or
    - UTIMCO Exposure managed by the internal or external manager would exceed 6.0% of Applicable Assets in the aggregate for all public and private investments (the “Maximum Manager Mandate”). For purposes of the Maximum Manager Mandate, if UTIMCO Exposure managed by the internal or external manager includes an allocation to private investments and public investments, Applicable Assets will include the total combined NAV of the Endowments plus the ITF.
  - If any UTIMCO Director requires a complete review of the investment prior to the execution of the investment, the UTIMCO Director will submit a written request to the UTIMCO Chief Executive Officer, and the UTIMCO Chief Executive Officer shall make a presentation to highlight the attributes and risks of the proposed investment at the next UTIMCO Board meeting. Subsequent to hearing the presentation, the UTIMCO Board shall vote whether to approve such investment.
  - “Applicable Assets” is defined as follows:
    - For public investments: Total combined NAV of the Endowments and ITF determined as of the most recent quarter-end close of books; and
    - For private investments: Total combined NAV of the Endowments determined as of the most recent quarter-end close of books.
  - “Fund Investments” is defined as any allocation of UT System funds to an external manager.
  - “Six-Month Period” is defined as follows:
    - Six months following the closing of the investment for New Fund Investments to a new external manager, New Mandates with existing external managers, and New Co-investments and New Small Co-investments to a direct public or private investment alongside an existing external manager.

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- Six months after the commencement of the funding of the Internal Mandate.
  - “UTIMCO Exposure” is defined as UTIMCO NAV and unfunded commitments.
  - Passive exposure, either by an individual internal or external manager, is limited only as required to maintain the Policy Portfolio within the Asset Class ranges.
  - The UTIMCO Chief Executive Officer will periodically report to the UTIMCO Board regarding all decisions made under this delegated authority.
- ***Manager Monitoring and Termination:*** The UTIMCO Board hereby delegates to the UTIMCO Chief Executive Officer all decisions regarding monitoring and termination of existing internal or external investment managers.
- ***Maximum Manager Mandates:*** The Maximum Manager Mandate shall be tested on at least a quarterly basis. Any exposures (excluding passive exposures) or new investments causing the Maximum Manager Mandate to be exceeded will be reported to the Investment Risk Committee at its next meeting. The UTIMCO Chief Executive Officer shall make a presentation and prepare a recommendation to the Investment Risk Committee regarding an appropriate course of action. Such presentation and recommendation will include information regarding the manager mandate, including original amount of investment, historical performance, market and economic outlook, and appropriate sizing, with timelines for completion of any recommended action. After discussion and review by the Investment Risk Committee, the Investment Risk Committee may approve the recommendation of the UTIMCO Chief Executive Officer, determine a different appropriate level of exposure or request additional information to be presented at a subsequent meeting before action may be taken by the UTIMCO Chief Executive Officer. The UTIMCO Chief Executive Officer will be responsible for implementing any Investment Risk Committee approved action.
- ***Investment in Derivative Investments:*** The UTIMCO Board hereby delegates to the UTIMCO Chief Executive Officer, the Deputy CIO, the Managing Director – Risk Management, the Senior Managing Director – Public Equity and the Senior Managing Director – Hedge Funds the authority to enter into the Derivative Investments of the types set forth in Exhibit B of the Derivative Investment Policy and as authorized by the Funds’ Investment Policy Statements, provided that the Managing Director – Risk Management, the Senior Managing Director – Public Equity and the Senior Managing Director – Hedge Funds may not enter into any Derivative Investment he or she has recommended. Any Director may require a complete review of certain Derivative Investments as provided in the Derivative Investment Policy.
- ***Use of Prime Brokers:*** A prime broker is a large financial institution that provides cash management services, custodial services, securities lending and borrowing, and facilitates short sales and the purchase of securities on margin. The UTIMCO Board hereby delegates to the UTIMCO Chief Executive Officer

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the authority to use one or more prime brokers for such purposes within applicable limitations provided by UTIMCO's investment policies. The selection of prime brokers is subject to any applicable approvals of Custodians as defined by the Investment Management Services Agreement.

- *Internal Investment Management:* The UTIMCO Board hereby delegates to the UTIMCO Chief Executive Officer all decisions associated with the direct management of assets by UTIMCO employees subject to the same limitations applicable to Co-investments to a direct public or private investment , excepting Fixed Income Investments.
- *Management of the UTIMCO Board's External Investment Consultant(s):* The UTIMCO Board hereby delegates to the UTIMCO Chief Executive Officer the authority to direct the day-to-day work product of the UTIMCO Board's external investment consultant(s), provided that the UTIMCO Board's external investment consultant(s) shall continue to have primary reporting responsibility to the UTIMCO Board.
- All investment authority delegated to the Chief Executive Officer under this section shall also be delegated to the Chief Investment Officer.

**Documentation, Controls, and Reporting:**

All UTIMCO Management decisions made under this Delegation of Authority Policy will be monitored by UTIMCO's Chief Compliance Officer. Any exceptions to this Policy will be reported to UTIMCO's Chief Executive Officer promptly. The UTIMCO Chief Executive Officer will develop a remedy to the exception, if possible, and report the exception and the remedy to the UTIMCO Chair promptly. Additionally, the UTIMCO Chief Executive Officer will report any exceptions to this Policy to the UTIMCO Board at its next regularly scheduled meeting, unless the UTIMCO Chair instructs otherwise.